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CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 8

Introduced by Assembly Members Perea and Skinner

(Principal coauthor: Senator Pavley)

(Coauthors: Assembly Members Brown and Garcia)

~~(Coauthors: Senators Cannella and Pavley)~~

(Coauthor: Senator Cannella)

December 3, 2012

An act to amend Sections 41081, 44060.5, ~~44125~~, 44225, 44229, 44270.3, 44271, 44272, 44273, 44274, 44275, 44280, 44281, 44282, 44283, 44287, 44299.1, and 44299.2 of, to add and repeal Section 43018.9 of, and to repeal Section 44299 of, the Health and Safety Code, to amend Sections 42885 and 42889 of the Public Resources Code, and to amend Sections 9250.1, 9250.2, 9261.1, and 9853.6 of the Vehicle Code, relating to vehicular air pollution, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 8, as amended, Perea. Alternative fuel and vehicle technologies: funding programs.

(1) Existing law establishes the Alternative and Renewable Fuel and Vehicle Technology Program, administered by the State Energy Resources Conservation and Development Commission, to provide to

specified entities, upon appropriation by the Legislature, grants, loans, loan guarantees, revolving loans, or other appropriate measures, for the development and deployment of innovative technologies that would transform California's fuel and vehicle types to help attain the state's climate change goals. Existing law specifies that only certain projects or programs are eligible for funding, including block grants administered by public entities or not-for-profit technology entities for multiple projects, education and program promotion within California, and development of alternative and renewable fuel and vehicle technology centers. Existing law requires the commission to develop and adopt an investment plan to determine priorities and opportunities for the program. Existing law also creates the Air Quality Improvement Program, administered by the State Air Resources Board, to fund air quality improvement projects related to fuel and vehicle technologies.

This bill would provide that the state board has no authority to enforce any element of its existing clean fuels outlet regulation or other regulation that requires or has the effect of requiring any supplier, as defined, to construct, operate, or provide funding for the construction or operation of any publicly available hydrogen-fueling station. The bill would require the state board to aggregate and make available to the public, no later than June 30, 2014, and every year thereafter, the number of hydrogen-fueled vehicles that motor vehicle manufacturers project to be sold or leased over the next 3 years, as reported to the state board, and the number of hydrogen-fueled vehicles registered with the Department of Motor Vehicles through April 30. The bill would require the commission to allocate \$20 million annually, as specified, until there are at least 100 publicly available hydrogen-fueling stations in California. The bill, on or before December 31, 2015, and annually thereafter, would require the commission and the state board to jointly review and report on the progress toward establishing a hydrogen-fueling network that provides the coverage and capacity to fuel vehicles requiring hydrogen fuel that are being placed into operation in the state, as specified. The bill would authorize the commission to design grants, loan incentive programs, revolving loan programs, and other forms of financial assistance, as specified, for purposes of assisting in the implementation of these provisions. The bill would repeal the above provisions on January 1, 2024. The bill, no later than July 1, 2014, would require the state board, in consultation with air pollution control and air quality management districts, to convene working groups to evaluate the specified policies and goals of specified programs. The

bill would add intelligent transportation systems as a category of projects eligible for funding under the Alternative and Renewable Fuel and Vehicle Technology Program. The bill would require the commission and the state board, in making awards under both the Alternative and Renewable Fuel and Vehicle Technology Program and the Air Quality Improvement Program, to provide a preference to projects with higher benefit-cost scores, as defined.

(2) Existing law creates the enhanced fleet modernization program to provide compensation for the retirement of passenger vehicles, and light-duty and medium-duty trucks that are high polluters. *Existing law provides that under this program compensation for retired vehicles for a low-income motor vehicle owner, as defined, is \$1,500, and for all other motor vehicle owners, it is \$1,000. Existing law authorizes this compensation to be increased by the department based on various factors, including the emissions benefits of the vehicle's retirement.*

~~This bill would prohibit any customer incentives for light-duty vehicles from being greater than compensations given to customers under the enhanced fleet modernization program for the retirement of certain high-polluting vehicles.~~ *establish compensation for replacement vehicles for low-income vehicle owners at not less than \$2,500, would make this compensation available to an owner in addition to the compensation for a retired vehicle, and would prohibit compensation for all other motor vehicle owners from exceeding the compensation for low-income motor vehicle owners. The bill would instead authorize an increase in the compensation under these programs for either retired or replacement vehicles only for low-income motor vehicle owners as necessary to balance maximizing air quality benefits of the program while ensuring participation by low-income motor vehicle owners, as specified.*

(3) Existing law, until January 1, 2016, increases vehicle registration fees, vessel registration fees, and specified service fees for identification plates by a specified amount. Existing law requires the revenue generated by the increase in those fees to be deposited in the Alternative and Renewable Fuel and Vehicle Technology Fund and either the Air Quality Improvement Fund or the Enhanced Fleet Modernization Subaccount, as provided.

Existing law, until January 1, 2016, imposes on certain vehicles a smog abatement fee of \$20, and requires a specified amount of this fee to be deposited in the Air Quality Improvement Fund and in the Alternative and Renewable Fuel and Vehicle Technology Fund.

This bill would extend those fees in the amounts required to make these deposits into the Alternative and Renewable Fuel and Vehicle Technology Fund, the Air Quality Improvement Fund, and the Enhanced Fleet Modernization Subaccount until January 1, 2024, at which time the fees would be reduced by those amounts.

(4) Existing law establishes the Carl Moyer Memorial Air Quality Standards Attainment Program, which is administered by the state board, to provide grants to offset the incremental cost of eligible projects that reduce emissions of air pollutants from sources in the state and for funding a fueling infrastructure demonstration program and technology development efforts. Existing law, beginning January 1, 2015, limits the Carl Moyer program to funding projects that reduce emissions of oxides of nitrogen (NO_x).

This bill would extend the current authorization for the Carl Moyer program to fund a broader range of projects that reduce emissions until January 1, 2024, and would make other conforming changes in that regard. The bill also would delete obsolete references and make conforming changes to the Carl Moyer program.

(5) Existing law authorizes the district board of the Sacramento Metropolitan Air Quality Management District to adopt a surcharge on motor vehicle registration fees applicable to all motor vehicles registered in the counties within that district. Existing law, until January 1, 2015, raises the limit on the amount of that surcharge from \$4 to \$6 for a motor vehicle whose registration expires on or after December 31, 1990, and requires that \$2 of the surcharge be used to implement the Carl Moyer program, as specified. Beginning January 1, 2015, existing law returns the surcharge limit to its previous amount of \$4.

This bill would extend the \$6 limitation on the surcharge until January 1, 2024, with the limit returning to \$4 beginning on that date.

(6) Existing law authorizes each air district that has been designated a state nonattainment area by the state board for any motor vehicle air pollutant, except the Sacramento Metropolitan Air Quality Management District, to levy a surcharge on the registration fees for every motor vehicle registered in that air district, as specified by the governing body of the air district. Existing law requires the Department of Motor Vehicles to collect that surcharge if requested by an air district, and requires the department, after deducting its administrative costs, to distribute the revenues to the air districts. Existing law, until January 1, 2015, raises the limit on the amount of that surcharge from \$4 to \$6 and requires that \$2 of the surcharge be used to implement the Carl

Moyer program, as specified. Beginning January 1, 2015, existing law returns the surcharge limit to its previous amount of \$4.

This bill would extend the \$6 limitation on the surcharge until January 1, 2024, with the limit returning to \$4 beginning on that date.

(7) Existing law imposes, until January 1, 2015, a California tire fee of \$1.75 per tire on every person who purchases a new tire, with the revenues generated to be allocated for prescribed purposes related to disposal and use of used tires. Existing law requires that \$0.75 per tire on which the fee is imposed be deposited in the Air Pollution Control Fund with these moneys to be available upon appropriation by the Legislature for use by the state board and air districts for specified purposes. Existing law reduces the tire fee to \$0.75 per tire on and after January 1, 2015.

This bill would instead set the tire fee at \$1.75 per tire until January 1, 2024, and reduce the tire fee to \$0.75 per tire on and after January 1, 2024.

(8) Section 3 of Article XIX of the California Constitution restricts the expenditure of revenues from fees and taxes imposed by the state on vehicles to specified purposes, subject to certain exceptions.

This bill would require the commission and the state board to ensure that revenues from specified fees imposed on vehicles that are used for purposes of the Alternative and Renewable Fuel and Vehicle Technology Program and the Air Quality Improvement Program are expended in compliance with Section 3 of Article XIX of the California Constitution.

(9) This bill would declare that it is to take effect immediately as an urgency statute.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 41081 of the Health and Safety Code, as
2 amended by Section 1.5 of Chapter 216 of the Statutes of 2011, is
3 amended to read:
4 41081. (a) Subject to Article 3.7 (commencing with Section
5 53720) of Chapter 4 of Part 1 of Division 2 of Title 5 of the
6 Government Code, or with the approval of the board of supervisors
7 of each county included, in whole or in part, within the Sacramento
8 district, the Sacramento district board may adopt a surcharge on
9 the motor vehicle registration fees applicable to all motor vehicles

1 registered in those counties within the Sacramento district whose
2 boards of supervisors have adopted a resolution approving the
3 surcharge. The surcharge shall be collected by the Department of
4 Motor Vehicles and, after deducting the department's
5 administrative costs, the remaining funds shall be transferred to
6 the Sacramento district. Prior to the adoption of any surcharge
7 pursuant to this subdivision, the district board shall make a finding
8 that any funds allocated to the district as a result of the adoption
9 of a county transportation sales and use tax are insufficient to carry
10 out the purposes of this chapter.

11 (b) The surcharge shall not exceed six dollars (\$6).

12 (c) After consulting with the Department of Motor Vehicles on
13 the feasibility thereof, the Sacramento district board may provide,
14 in the surcharge adopted pursuant to subdivision (a), to exempt
15 from all or part of the surcharge any category of low-emission
16 motor vehicle.

17 (d) Funds received by the Sacramento district pursuant to this
18 section shall be used by that district as follows:

19 (1) The revenues resulting from the first four dollars (\$4) of
20 each surcharge shall be used to implement reductions in emissions
21 from vehicular sources, including, but not limited to, a clean fuels
22 program and motor vehicle use reduction measures.

23 (2) The revenues resulting from the next two dollars (\$2) of
24 each surcharge shall be used to implement the following programs
25 that achieve emission reductions from vehicular sources and
26 off-road engines, to the extent that the district determines the
27 program remediates air pollution harms created by motor vehicles
28 on which the surcharge is imposed:

29 (A) Projects eligible for grants under the Carl Moyer Memorial
30 Air Quality Standards Attainment Program (Chapter 9
31 (commencing with Section 44275) of Part 5).

32 (B) The new purchase, retrofit, repower, or add-on of equipment
33 for previously unregulated agricultural sources of air pollution, as
34 defined in Section 39011.5, within the Sacramento district, for a
35 minimum of three years from the date of adoption of an applicable
36 rule or standard, or until the compliance date of that rule or
37 standard, whichever is later, if the state board has determined that
38 the rule or standard complies with Sections 40913, 40914, and
39 41503.1, after which period of time, a new purchase, retrofit,
40 repower, or add-on of equipment shall not be funded pursuant to

1 this chapter. The district shall follow any guidelines developed
2 under subdivision (a) of Section 44287 for awarding grants under
3 this program.

4 (C) The purchase of new, or retrofit of emissions control
5 equipment for existing, schoolbuses pursuant to the
6 Lower-Emission School Bus Program adopted by the state board.

7 (D) An accelerated vehicle retirement or repair program that is
8 adopted by the state board pursuant to authority granted hereafter
9 by the Legislature by statute.

10 (E) The replacement of onboard natural gas fuel tanks on
11 schoolbuses owned by a school district that are 14 years or older,
12 not to exceed twenty thousand dollars (\$20,000) per bus, pursuant
13 to the Lower-Emission School Bus Program adopted by the state
14 board.

15 (F) The enhancement of deteriorating natural gas fueling
16 dispensers of fueling infrastructure operated by a school district
17 with a one-time funding amount not to exceed five hundred dollars
18 (\$500) per dispenser, pursuant to the Lower-Emission School Bus
19 Program adopted by the state board.

20 (e) Not more than 5 percent of the funds collected pursuant to
21 this section shall be used by the district for administrative expenses.

22 (f) A project funded by the program shall not be used for credit
23 under any state or federal emissions averaging, banking, or trading
24 program. An emission reduction generated by the program shall
25 not be used as marketable emission reduction credits or to offset
26 any emission reduction obligation of any person or entity. Projects
27 involving new engines that would otherwise generate marketable
28 credits under state or federal averaging, banking, and trading
29 programs shall include transfer of credits to the engine end user
30 and retirement of those credits toward reducing air emissions in
31 order to qualify for funding under the program. A purchase of a
32 low-emission vehicle or of equipment pursuant to a corporate or
33 a controlling board's policy, but not otherwise required by law,
34 shall generate surplus emissions reductions and may be funded by
35 the program.

36 (g) This section shall remain in effect only until January 1, 2024,
37 and as of that date is repealed, unless a later enacted statute, that
38 is enacted before January 1, 2024, deletes or extends that date.

SEC. 2. Section 41081 of the Health and Safety Code, as added by Section 2.5 of Chapter 707 of the Statutes of 2004, is amended to read:

41081. (a) Subject to Article 3.7 (commencing with Section 53720) of Chapter 4 of Part 1 of Division 2 of Title 5 of the Government Code, or with the approval of the board of supervisors of each county included, in whole or in part, within the Sacramento district, the Sacramento district board may adopt a surcharge on the motor vehicle registration fees applicable to all motor vehicles registered in those counties within the Sacramento district whose boards of supervisors have adopted a resolution approving the surcharge. The surcharge shall be collected by the Department of Motor Vehicles and, after deducting the department's administrative costs, the remaining funds shall be transferred to the Sacramento district. Prior to the adoption of any surcharge pursuant to this subdivision, the district board shall make a finding that any funds allocated to the district as a result of the adoption of a county transportation sales and use tax are insufficient to carry out the purposes of this chapter.

(b) The surcharge shall not exceed four dollars (\$4).

(c) After consulting with the Department of Motor Vehicles on the feasibility thereof, the Sacramento district board may provide, in the surcharge adopted pursuant to subdivision (a), to exempt from all or part of the surcharge any category of low-emission motor vehicle.

(d) Funds received by the Sacramento district pursuant to this section shall be used to implement the strategy with respect to the reduction in emissions from vehicular sources, including, but not limited to, a clean fuels program and motor vehicle use reduction measures. Not more than 5 percent of the funds collected pursuant to this section shall be used by the district for administrative expenses.

(e) This section shall become operative on January 1, 2024.

SEC. 3. Section 43018.9 is added to the Health and Safety Code, to read:

43018.9. (a) For purposes of this section, the following terms have the following meanings:

(1) "Commission" means the State Energy Resources Conservation and Development Commission.

1 (2) “Publicly available hydrogen-fueling station” means the
2 equipment used to store and dispense hydrogen fuel to vehicles
3 according to industry codes and standards that is open to the public.

4 (b) Notwithstanding any other law, the state board shall have
5 no authority to enforce any element of its existing clean fuels outlet
6 regulation or of any other regulation that requires or has the effect
7 of requiring that any supplier, as defined in Section 7338 of the
8 Revenue and Taxation Code as in effect on May 22, 2013,
9 construct, operate, or provide funding for the construction or
10 operation of any publicly available hydrogen-fueling station.

11 (c) On or before June 30, 2014, and every year thereafter, the
12 state board shall aggregate and make available all of the following:

13 (1) The number of hydrogen-fueled vehicles that motor vehicle
14 manufacturers project to be sold or leased over the next three years
15 as reported to the state board pursuant to the Low Emission Vehicle
16 regulations, as currently established in Sections 1961 to 1961.2,
17 inclusive, of Title 13 of the California Code of Regulations.

18 (2) The total number of hydrogen-fueled vehicles registered
19 with the Department of Motor Vehicles through April 30.

20 (d) On or before June 30, 2014, and every year thereafter, the
21 state board, based on the information made available pursuant to
22 subdivision (c), shall do both of the following:

23 (1) Evaluate the need for additional publicly available
24 hydrogen-fueling stations for the subsequent three years in terms
25 of quantity of fuel needed for the actual and projected number of
26 hydrogen-fueled vehicles, geographic areas where fuel will be
27 needed, and station coverage.

28 (2) Report findings to the commission on the need for additional
29 publicly available hydrogen-fueling stations in terms of number
30 of stations, geographic areas where additional stations will be
31 needed, and minimum operating standards, such as number of
32 dispensers, filling protocols, and pressures.

33 (e) (1) The commission shall allocate twenty million dollars
34 (\$20,000,000) annually to fund the number of stations identified
35 pursuant to subdivision (d), not to exceed 20 percent of the moneys
36 appropriated by the Legislature from the Alternative and
37 Renewable Fuel and Vehicle Technology Fund, established
38 pursuant to Section 44273, until there are at least 100 publicly
39 available hydrogen-fueling stations in operation in California.

(2) If the commission, in consultation with the state board, determines that the full amount identified in paragraph (1) is not needed to fund the number of stations identified by the state board pursuant to subdivision (d), the commission may allocate any remaining moneys to other projects, subject to the requirements of the Alternative and Renewable Fuel and Vehicle Technology Program pursuant to Article 2 (commencing with Section 44272) of Chapter 8.9.

(3) Allocations by the commission pursuant to this subdivision shall be subject to all of the requirements applicable to allocations from the Alternative and Renewable Fuel and Vehicle Technology Program pursuant to Article 2 (commencing with Section 44272) of Chapter 8.9.

(4) The commission, in consultation with the state board, shall award moneys allocated in paragraph (1) based on best available data, including information made available pursuant to subdivision (d), and input from relevant stakeholders, including motor vehicle manufacturers that have planned deployments of hydrogen-fueled vehicles, according to a strategy that supports the deployment of an effective and efficient hydrogen-fueling station network in a way that maximizes benefits to the public while minimizing costs to the state.

(5) Notwithstanding paragraph (1), once the commission determines, in consultation with the state board, that the private sector is establishing publicly available hydrogen-fueling stations without the need for government support, the commission may cease providing funding for those stations.

(6) On or before December 31, 2015, and annually thereafter, the commission and the state board shall jointly review and report on progress toward establishing a hydrogen-fueling network that provides the coverage and capacity to fuel vehicles requiring hydrogen fuel that are being placed into operation in the state. The commission and the state board shall consider the following, including, but not limited to, the available plans of automobile manufacturers to deploy hydrogen-fueled vehicles in California and their progress toward achieving those plans, the rate of deployment of hydrogen-fueled vehicles, the length of time required to permit and construct hydrogen-fueling stations, the coverage and capacity of the existing hydrogen-fueling station network, and the amount and timing of growth in the fueling

1 network to ensure fuel is available to these vehicles. The review
2 shall also determine the remaining cost and timing to establish a
3 network of 100 publicly available hydrogen-fueling stations and
4 whether funding from the Alternative and Renewable Fuel and
5 Vehicle Technology Program remains necessary to achieve this
6 goal.

7 (f) To assist in the implementation of this section and maximize
8 the ability to deploy fueling infrastructure as rapidly as possible
9 with the assistance of private capital, the commission may design
10 grants, loan incentive programs, revolving loan programs, and
11 other forms of financial assistance. The commission also may enter
12 into an agreement with the Treasurer to provide financial assistance
13 to further the purposes of this section.

14 (g) Funds appropriated to the commission for the purposes of
15 this section shall be available for encumbrance by the commission
16 for up to four years from the date of the appropriation and for
17 liquidation up to four years after expiration of the deadline to
18 encumber.

19 (h) Notwithstanding any other law, the state board, in
20 consultation with districts, no later than July 1, 2014, shall convene
21 working groups to evaluate the policies and goals contained within
22 the Carl Moyer Memorial Air Quality Standards Attainment
23 Program, pursuant to Section 44280, and Assembly Bill 923
24 (Chapter 707 of the Statutes of 2004).

25 (i) This section shall remain in effect only until January 1, 2024,
26 and as of that date is repealed, unless a later enacted statute, that
27 is enacted before January 1, 2024, deletes or extends that date.

28 SEC. 4. Section 44060.5 of the Health and Safety Code is
29 amended to read:

30 44060.5. (a) Beginning July 1, 2008, the smog abatement fee
31 described in subdivision (d) of Section 44060 shall be increased
32 by eight dollars (\$8).

33 (b) Revenues generated by the increase described in this section
34 shall be distributed as follows:

35 (1) The revenues generated by four dollars (\$4) shall be
36 deposited in the Air Quality Improvement Fund created by Section
37 44274.5.

38 (2) The revenues generated by four dollars (\$4) shall be
39 deposited in the Alternative and Renewable Fuel and Vehicle
40 Technology Fund created by Section 44273.

(c) This section shall remain in effect only until January 1, 2024, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2024, deletes or extends that date.

SEC. 5. Section 44125 of the Health and Safety Code is amended to read:

44125. (a) No later than July 1, 2009, the state board, in consultation with the ~~Bureau of Automotive Repair (BAR)~~ bureau, shall adopt a program to commence on January 1, 2010, that allows for the voluntary retirement of passenger vehicles and light-duty and medium-duty trucks that are high polluters. The program shall be administered by the ~~BAR~~ bureau pursuant to guidelines adopted by the state board.

(b) The guidelines shall ensure all of the following:

(1) Vehicles retired pursuant to the program are permanently removed from operation and retired at a dismantler under contract with the ~~BAR~~ bureau.

(2) Districts retain their authority to administer vehicle retirement programs otherwise authorized under law.

(3) The program is available for high polluting passenger vehicles and light-duty and medium-duty trucks that have been continuously registered in California for two years prior to acceptance into the program or otherwise proven to have been driven primarily in California for the last two years and have not been registered in another state or country in the last two years.

(4) The program is focused where the greatest air quality impact can be identified.

(5) (A) Compensation for retired vehicles shall be *at least* one thousand five hundred dollars (\$1,500) for a low-income motor vehicle owner, as defined in Section 44062.1, and *no more than* one thousand dollars (\$1,000) for all other motor vehicle owners. ~~The department may pay a motor vehicle owner more than these amounts based on factors including, but not limited to, the age of the vehicle, the emission benefits of the vehicle's retirement, the emission impact of any replacement vehicle, and the location of the vehicle in an area of the state with the poorest air quality.~~

(B) *Replacement may be an option for all motor vehicle owners and may be in addition to compensation for vehicles retired pursuant to subparagraph (A). For low-income motor vehicle owners as defined in Section 44062.1 compensation shall be no less than two thousand five hundred dollars (\$2,500).*

1 *Compensation for all other motor vehicle owners may not exceed*
2 *compensation for low-income motor vehicle owners.*

3 *(C) Compensation for either retired or replacement vehicles*
4 *for low-income motor vehicle owners may be increased as*
5 *necessary to maximize the air quality benefits of the program while*
6 *also ensuring participation by low-income motor vehicle owners,*
7 *as defined in Section 44062.1. Increases in compensation amounts*
8 *may be based on factors, including, but not limited to, the age of*
9 *the retired or replaced vehicle, the emissions benefits of the retired*
10 *or replaced vehicle, the emissions impact of any replacement*
11 *vehicle, participation by low-income motor vehicle owners, as*
12 *defined in Section 44062.1, and the location of the vehicle in an*
13 *area of the state with the poorest air quality.*

14 (6) Cost-effectiveness and impacts on disadvantaged and
15 low-income populations are considered.

16 ~~SEC. 5.~~

17 SEC. 6. Section 44225 of the Health and Safety Code, as
18 amended by Section 3 of Chapter 707 of the Statutes of 2004, is
19 amended to read:

20 44225. A district may increase the fee established under Section
21 44223 to up to six dollars (\$6). A district may increase the fee only
22 if the following conditions are met:

23 (a) A resolution providing for both the fee increase and a
24 corresponding program for expenditure of the increased fees for
25 the reduction of air pollution from motor vehicles pursuant to, and
26 for related planning, monitoring, enforcement, and technical studies
27 necessary for the implementation of, the California Clean Air Act
28 of 1988 is adopted and approved by the governing board of the
29 district.

30 (b) In districts with nonelected officials on their governing
31 boards, the resolution shall be adopted and approved by both a
32 majority of the governing board and a majority of the board
33 members who are elected officials.

34 (c) An increase in fees established pursuant to this section shall
35 become effective on either April 1 or October 1, as provided in
36 the resolution adopted by the board pursuant to subdivision (a).

37 (d) This section shall remain in effect only until January 1, 2024,
38 and as of that date is repealed, unless a later enacted statute, that
39 is enacted before January 1, 2024, deletes or extends that date.

1 ~~SEC. 6.~~

2 *SEC. 7.* Section 44225 of the Health and Safety Code, as added
3 by Section 3.5 of Chapter 707 of the Statutes of 2004, is amended
4 to read:

5 44225. A district may increase the fee established under Section
6 44223 to up to four dollars (\$4). A district may increase the fee
7 only if the following conditions are met:

8 (a) A resolution providing for both the fee increase and a
9 corresponding program for expenditure of the increased fees for
10 the reduction of air pollution from motor vehicles pursuant to, and
11 for related planning, monitoring, enforcement, and technical studies
12 necessary for the implementation of, the California Clean Air Act
13 of 1988 is adopted and approved by the governing board of the
14 district.

15 (b) In districts with nonelected officials on their governing
16 boards, the resolution shall be adopted and approved by both a
17 majority of the governing board and a majority of the board
18 members who are elected officials.

19 (c) An increase in fees established pursuant to this section shall
20 become effective on either April 1 or October 1, as provided in
21 the resolution adopted by the board pursuant to subdivision (a).

22 (d) This section shall become operative on January 1, 2024.

23 ~~SEC. 7.~~

24 *SEC. 8.* Section 44229 of the Health and Safety Code, as
25 amended by Section 2.5 of Chapter 216 of the Statutes of 2011, is
26 amended to read:

27 44229. (a) After deducting all administrative costs it incurs
28 through collection of fees pursuant to Section 44227, the
29 Department of Motor Vehicles shall distribute the revenues to
30 districts, which shall use the revenues resulting from the first four
31 dollars (\$4) of each fee imposed to reduce air pollution from motor
32 vehicles and to carry out related planning, monitoring, enforcement,
33 and technical studies necessary for implementation of the California
34 Clean Air Act of 1988. Fees collected by the Department of Motor
35 Vehicles pursuant to this chapter shall be distributed to districts
36 based upon the amount of fees collected from motor vehicles
37 registered within each district.

38 (b) Notwithstanding Sections 44241 and 44243, a district shall
39 use the revenues resulting from the next two dollars (\$2) of each
40 fee imposed pursuant to Section 44227 to implement the following

1 programs that the district determines remediate air pollution harms
2 created by motor vehicles on which the surcharge is imposed:

3 (1) Projects eligible for grants under the Carl Moyer Memorial
4 Air Quality Standards Attainment Program (Chapter 9
5 (commencing with Section 44275) of Part 5).

6 (2) The new purchase, retrofit, repower, or add-on equipment
7 for previously unregulated agricultural sources of air pollution, as
8 defined in Section 39011.5, for a minimum of three years from
9 the date of adoption of an applicable rule or standard, or until the
10 compliance date of that rule or standard, whichever is later, if the
11 state board has determined that the rule or standard complies with
12 Sections 40913, 40914, and 41503.1, after which period of time,
13 a new purchase, retrofit, repower, or add-on of equipment shall
14 not be funded pursuant to this chapter. The districts shall follow
15 any guidelines developed under subdivision (a) of Section 44287
16 for awarding grants under this program.

17 (3) The purchase of new, or retrofit of emissions control
18 equipment for existing, schoolbuses pursuant to the
19 Lower-Emission School Bus Program adopted by the state board.

20 (4) An accelerated vehicle retirement or repair program that is
21 adopted by the state board pursuant to authority granted hereafter
22 by the Legislature by statute.

23 (5) The replacement of onboard natural gas fuel tanks on
24 schoolbuses owned by a school district that are 14 years or older,
25 not to exceed twenty thousand dollars (\$20,000) per bus, pursuant
26 to the Lower-Emission School Bus Program adopted by the state
27 board.

28 (6) The enhancement of deteriorating natural gas fueling
29 dispensers of fueling infrastructure operated by a school district
30 with a one-time funding amount not to exceed five hundred dollars
31 (\$500) per dispenser, pursuant to the Lower-Emission School Bus
32 Program adopted by the state board.

33 (c) The Department of Motor Vehicles may annually expend
34 not more than 1 percent of the fees collected pursuant to Section
35 44227 on administrative costs.

36 (d) A project funded by the program shall not be used for credit
37 under any state or federal emissions averaging, banking, or trading
38 program. An emission reduction generated by the program shall
39 not be used as marketable emission reduction credits or to offset
40 any emission reduction obligation of any person or entity. Projects

1 involving new engines that would otherwise generate marketable
2 credits under state or federal averaging, banking, and trading
3 programs shall include transfer of credits to the engine end user
4 and retirement of those credits toward reducing air emissions in
5 order to qualify for funding under the program. A purchase of a
6 low-emission vehicle or of equipment pursuant to a corporate or
7 a controlling board's policy, but not otherwise required by law,
8 shall generate surplus emissions reductions and may be funded by
9 the program.

10 (e) This section shall remain in effect only until January 1, 2024,
11 and as of that date is repealed, unless a later enacted statute, that
12 is enacted before January 1, 2024, deletes or extends that date.

13 ~~SEC. 8.~~

14 *SEC. 9.* Section 44229 of the Health and Safety Code, as added
15 by Section 4.5 of Chapter 707 of the Statutes of 2004, is amended
16 to read:

17 44229. (a) After deducting all administrative costs it incurs
18 through collection of fees pursuant to Section 44227, the
19 Department of Motor Vehicles shall distribute the revenues to
20 districts which shall use the fees to reduce air pollution from motor
21 vehicles and to carry out related planning, monitoring, enforcement,
22 and technical studies necessary for implementation of the California
23 Clean Air Act of 1988. Fees collected by the Department of Motor
24 Vehicles pursuant to this chapter shall be distributed to districts
25 based upon the amount of fees collected from motor vehicles
26 registered within each district.

27 (b) The Department of Motor Vehicles may annually expend
28 not more than the following percentages of the fees collected
29 pursuant to Section 44227 on administrative costs:

30 (1) During the first year after the operative date of this chapter,
31 not more than 5 percent of the fees collected may be used for
32 administrative costs.

33 (2) During the second year after the operative date of this
34 chapter, not more than 3 percent of the fees collected may be used
35 for administrative costs.

36 (3) During any year subsequent to the second year after the
37 operative date of this chapter, not more than 1 percent of the fees
38 collected may be used for administrative costs.

39 (c) This section shall become operative on January 1, 2024.

~~SEC. 9.~~

SEC. 10. Section 44270.3 of the Health and Safety Code is amended to read:

44270.3. For the purposes of this chapter, the following terms have the following meanings:

(a) “Benefit-cost score,” for the Alternative and Renewable Fuel and Vehicle Technology Program created pursuant to Section 44272, means a project’s expected or potential greenhouse gas emissions reduction per dollar awarded by the commission to the project from the Alternative and Renewable Fuel and Vehicle Technology Fund.

(b) “Commission” means the State Energy Resources Conservation and Development Commission.

(c) “Full fuel-cycle assessment” or “life-cycle assessment” means evaluating and comparing the full environmental and health impacts of each step in the life cycle of a fuel, including, but not limited to, all of the following:

(1) Feedstock production, extraction, cultivation, transport, and storage, and the transportation and use of water and changes in land use and land cover therein.

(2) Fuel production, manufacture, distribution, marketing, transport, and storage, and the transportation and use of water therein.

(3) Vehicle operation, including refueling, combustion, conversion, permeation, and evaporation.

(d) “Vehicle technology” means any vehicle, boat, off-road equipment, or locomotive, or component thereof, including its engine, propulsion system, transmission, or construction materials.

(e) For purposes of the Air Quality Improvement Program created pursuant to Section 44274, the following terms have the following meanings:

(1) “Benefit-cost score” means the reasonably expected or potential criteria pollutant emission reductions achieved per dollar awarded by the board for the project.

(2) “Project” means a category of investments identified for potential funding by the board, including, but not limited to, competitive grants, revolving loans, loan guarantees, loans, vouchers, rebates, and other appropriate funding measures for specific vehicles, equipment, technologies, or initiatives authorized by Section 44274.

1 ~~SEC. 10.~~

2 *SEC. 11.* Section 44271 of the Health and Safety Code is
3 amended to read:

4 44271. (a) This chapter creates the Alternative and Renewable
5 Fuel and Vehicle Technology Program, pursuant to Section 44272,
6 to be administered by the commission, and the Air Quality
7 Improvement Program, pursuant to Section 44274, to be
8 administered by the state board. The commission and the state
9 board shall do all of the following in fulfilling their responsibilities
10 pursuant to their respective programs:

11 (1) Establish sustainability goals to ensure that alternative and
12 renewable fuel and vehicle deployment projects, on a full fuel-cycle
13 assessment basis, will not adversely impact natural resources,
14 especially state and federal lands.

15 (2) Establish a competitive process for the allocation of funds
16 for projects funded pursuant to this chapter, which considers,
17 among other factors, the benefit-cost score, as defined in
18 subdivision (a) of Section 44270.3, associated with a project for
19 the Alternative and Renewable Fuel and Vehicle Technology
20 Program or, as defined in paragraph (1) of subdivision (e) of
21 Section 44270.3, associated with a project, as defined in paragraph
22 (2) of subdivision (e) of Section 44270.3, for the Air Quality
23 Improvement Program.

24 (3) Identify additional federal and private funding opportunities
25 to augment or complement the programs created pursuant to this
26 chapter.

27 (4) Ensure that the results of the reductions in emissions or
28 benefits can be measured and quantified.

29 (5) Ensure that those revenues derived from fees imposed on
30 motor vehicles that are expended pursuant to this chapter, as
31 amended by Assembly Bill 8 of the 2013–14 Regular Session of
32 the Legislature, are expended in compliance with Section 3 of
33 Article XIX of the California Constitution, as were the revenues
34 derived from fees imposed on motor vehicles pursuant to Assembly
35 Bill 118 (Chapter 750 of the Statutes of 2007).

36 (b) The state board, in consultation with the commission, shall
37 develop and adopt guidelines for both the Alternative and
38 Renewable Fuel and Vehicle Technology Program and the Air
39 Quality Improvement Program to ensure that programs meet both
40 of the following requirements:

1 (1) Activities undertaken pursuant to the programs complement,
2 and do not interfere with, efforts to achieve and maintain federal
3 and state ambient air quality standards and to reduce toxic air
4 contaminant and greenhouse gas emissions.

5 (2) Activities undertaken pursuant to the programs maintain or
6 improve upon emission reductions and air quality benefits in the
7 State Implementation Plan for Ozone, California Phase 2
8 Reformulated Gasoline standards, and diesel fuel regulations.

9 (c) For the purposes of both of the programs created by this
10 chapter, eligible projects do not include those required to be
11 undertaken pursuant to state or federal law, district rules or
12 regulations, memoranda of understanding with a governmental
13 entity, or legally binding agreements or documents. For the
14 purposes of the Alternative and Renewable Fuel and Vehicle
15 Technology Program, the state board shall advise the commission
16 to ensure the requirements of this subdivision are met.

17 ~~(d) Any customer incentives for light-duty vehicles, including~~
18 ~~rebates, shall not be greater than compensations given to consumers~~
19 ~~pursuant to Section 44125.~~

20 ~~SEC. 11.~~

21 *SEC. 12.* Section 44272 of the Health and Safety Code is
22 amended to read:

23 44272. (a) The Alternative and Renewable Fuel and Vehicle
24 Technology Program is hereby created. The program shall be
25 administered by the commission. The commission shall implement
26 the program by regulation pursuant to the requirements of Chapter
27 3.5 (commencing with Section 11340) of Part 1 of Division 3 of
28 Title 2 of the Government Code. The program shall provide, upon
29 appropriation by the Legislature, competitive grants, revolving
30 loans, loan guarantees, loans, or other appropriate funding
31 measures, to public agencies, vehicle and technology entities,
32 businesses and projects, public-private partnerships, workforce
33 training partnerships and collaboratives, fleet owners, consumers,
34 recreational boaters, and academic institutions to develop and
35 deploy innovative technologies that transform California's fuel
36 and vehicle types to help attain the state's climate change policies.
37 The emphasis of this program shall be to develop and deploy
38 technology and alternative and renewable fuels in the marketplace,
39 without adopting any one preferred fuel or technology.

(b) A project that receives more than seventy-five thousand dollars (\$75,000) in funds from the commission shall be approved at a noticed public meeting of the commission and shall be consistent with the priorities established by the investment plan adopted pursuant to Section 44272.5. Under this article, the commission may delegate to the commission's executive director, or his or her designee, the authority to approve either of the following:

(1) A contract, grant, loan, or other agreement or award that receives seventy-five thousand dollars (\$75,000) or less in funds from the commission.

(2) Amendments to a contract, grant, loan, or other agreement or award as long as the amendments do not increase the amount of the award, change the scope of the project, or modify the purpose of the agreement.

(c) The commission shall provide preferences to those projects that maximize the goals of the Alternative and Renewable Fuel and Vehicle Technology Program, based on the following criteria, as applicable:

(1) The project's ability to provide a measurable transition from the nearly exclusive use of petroleum fuels to a diverse portfolio of viable alternative fuels that meet petroleum reduction and alternative fuel use goals.

(2) The project's consistency with existing and future state climate change policy and low-carbon fuel standards.

(3) The project's ability to reduce criteria air pollutants and air toxics and reduce or avoid multimedia environmental impacts.

(4) The project's ability to decrease, on a life-cycle basis, the discharge of water pollutants or any other substances known to damage human health or the environment, in comparison to the production and use of California Phase 2 Reformulated Gasoline or diesel fuel produced and sold pursuant to California diesel fuel regulations set forth in Article 2 (commencing with Section 2280) of Chapter 5 of Division 3 of Title 13 of the California Code of Regulations.

(5) The project does not adversely impact the sustainability of the state's natural resources, especially state and federal lands.

(6) The project provides nonstate matching funds. Costs incurred from the date a proposed award is noticed may be counted as nonstate matching funds. The commission may adopt further

1 requirements for the purposes of this paragraph. The commission
2 is not liable for costs incurred pursuant to this paragraph if the
3 commission does not give final approval for the project or the
4 proposed recipient does not meet requirements adopted by the
5 commission pursuant to this paragraph.

6 (7) The project provides economic benefits for California by
7 promoting California-based technology firms, jobs, and businesses.

8 (8) The project uses existing or proposed fueling infrastructure
9 to maximize the outcome of the project.

10 (9) The project's ability to reduce on a life-cycle assessment
11 greenhouse gas emissions by at least 10 percent, and higher
12 percentages in the future, from current reformulated gasoline and
13 diesel fuel standards established by the state board.

14 (10) The project's use of alternative fuel blends of at least 20
15 percent, and higher blend ratios in the future, with a preference
16 for projects with higher blends.

17 (11) The project drives new technology advancement for
18 vehicles, vessels, engines, and other equipment, and promotes the
19 deployment of that technology in the marketplace.

20 (d) The commission shall rank applications for projects proposed
21 for funding awards based on solicitation criteria developed in
22 accordance with subdivision (c), and shall give additional
23 preference to funding those projects with higher benefit-cost scores.

24 (e) Only the following shall be eligible for funding:

25 (1) Alternative and renewable fuel projects to develop and
26 improve alternative and renewable low-carbon fuels, including
27 electricity, ethanol, dimethyl ether, renewable diesel, natural gas,
28 hydrogen, and biomethane, among others, and their feedstocks
29 that have high potential for long-term or short-term
30 commercialization, including projects that lead to sustainable
31 feedstocks.

32 (2) Demonstration and deployment projects that optimize
33 alternative and renewable fuels for existing and developing engine
34 technologies.

35 (3) Projects to produce alternative and renewable low-carbon
36 fuels in California.

37 (4) Projects to decrease the overall impact of an alternative and
38 renewable fuel's life cycle carbon footprint and increase
39 sustainability.

1 (5) Alternative and renewable fuel infrastructure, fueling
2 stations, and equipment. The preference in paragraph (10) of
3 subdivision (c) shall not apply to renewable diesel or biodiesel
4 infrastructure, fueling stations, and equipment used solely for
5 renewable diesel or biodiesel fuel.

6 (6) Projects to develop and improve light-, medium-, and
7 heavy-duty vehicle technologies that provide for better fuel
8 efficiency and lower greenhouse gas emissions, alternative fuel
9 usage and storage, or emission reductions, including propulsion
10 systems, advanced internal combustion engines with a 40 percent
11 or better efficiency level over the current market standard,
12 lightweight materials, intelligent transportation systems, energy
13 storage, control systems and system integration, physical
14 measurement and metering systems and software, development of
15 design standards and testing and certification protocols, battery
16 recycling and reuse, engine and fuel optimization electronic and
17 electrified components, hybrid technology, plug-in hybrid
18 technology, battery electric vehicle technology, fuel cell
19 technology, and conversions of hybrid technology to plug-in
20 technology through the installation of safety certified supplemental
21 battery modules.

22 (7) Programs and projects that accelerate the commercialization
23 of vehicles and alternative and renewable fuels including buy-down
24 programs through near-market and market-path deployments,
25 advanced technology warranty or replacement insurance,
26 development of market niches, supply-chain development, and
27 research related to the pedestrian safety impacts of vehicle
28 technologies and alternative and renewable fuels.

29 (8) Programs and projects to retrofit medium- and heavy-duty
30 onroad and nonroad vehicle fleets with technologies that create
31 higher fuel efficiencies, including alternative and renewable fuel
32 vehicles and technologies, idle management technology, and
33 aerodynamic retrofits that decrease fuel consumption.

34 (9) Infrastructure projects that promote alternative and renewable
35 fuel infrastructure development connected with existing fleets,
36 public transit, and existing transportation corridors, including
37 physical measurement or metering equipment and truck stop
38 electrification.

39 (10) Workforce training programs related to alternative and
40 renewable fuel feedstock production and extraction, renewable

1 fuel production, distribution, transport, and storage,
2 high-performance and low-emission vehicle technology and high
3 tower electronics, automotive computer systems, mass transit fleet
4 conversion, servicing, and maintenance, and other sectors or
5 occupations related to the purposes of this chapter.

6 (11) Block grants or incentive programs administered by public
7 entities or not-for-profit technology entities for multiple projects,
8 education and program promotion within California, and
9 development of alternative and renewable fuel and vehicle
10 technology centers. The commission may adopt guidelines for
11 implementing the block grant or incentive program, which shall
12 be approved at a noticed public meeting of the commission.

13 (12) Life cycle and multimedia analyses, sustainability and
14 environmental impact evaluations, and market, financial, and
15 technology assessments performed by a state agency to determine
16 the impacts of increasing the use of low-carbon transportation fuels
17 and technologies, and to assist in the preparation of the investment
18 plan and program implementation.

19 (13) A program to provide funding for homeowners who
20 purchase a plug-in electric vehicle to offset costs associated with
21 modifying electrical sources to include a residential plug-in electric
22 vehicle charging station. In establishing this program, the
23 commission shall consider funding criteria to maximize the public
24 benefit of the program.

25 (f) The commission may make a single source or sole source
26 award pursuant to this section for applied research. The same
27 requirements set forth in Section 25620.5 of the Public Resources
28 Code shall apply to awards made on a single source basis or a sole
29 source basis. This subdivision does not authorize the commission
30 to make a single source or sole source award for a project or
31 activity other than for applied research.

32 (g) The commission may do all of the following:

33 (1) Contract with the Treasurer to expend funds through
34 programs implemented by the Treasurer, if the expenditure is
35 consistent with all of the requirements of this article and Article
36 1 (commencing with Section 44270).

37 (2) Contract with small business financial development
38 corporations established by the ~~Business, Transportation and~~
39 ~~Housing Agency~~ *Governor's Office of Business and Economic*
40 *Development* to expend funds through the Small Business Loan

1 Guarantee Program if the expenditure is consistent with all of the
2 requirements of this article and Article 1 (commencing with Section
3 44270).

4 (3) Advance funds, pursuant to an agreement with the
5 commission, to any of the following:

6 (A) A public entity.

7 (B) A recipient to enable it to make advance payments to a
8 public entity that is a subrecipient of the funds and under a binding
9 and enforceable subagreement with the recipient.

10 (C) An administrator of a block grant program.

11 ~~SEC. 12.~~

12 *SEC. 13.* Section 44273 of the Health and Safety Code is
13 amended to read:

14 44273. (a) The Alternative and Renewable Fuel and Vehicle
15 Technology Fund is hereby created in the State Treasury, to be
16 administered by the commission. The moneys in the fund, upon
17 appropriation by the Legislature, shall be expended by the
18 commission to implement the Alternative and Renewable Fuel and
19 Vehicle Technology Program in accordance with this chapter.

20 (b) Notwithstanding any other provision of law, the sum of ten
21 million dollars (\$10,000,000) shall be transferred annually from
22 the Public Interest Research, Development, and Demonstration
23 Fund created by Section 384 of the Public Utilities Code to the
24 Alternative and Renewable Fuel and Vehicle Technology Fund.
25 Prior to the award of any funds from this source, the commission
26 shall make a determination that the proposed project will provide
27 benefits to electric or natural gas ratepayers based upon the
28 commission's adopted criteria.

29 (c) Beginning with the integrated energy policy report adopted
30 in 2011, and in the subsequent reports adopted thereafter, pursuant
31 to Section 25302 of the Public Resources Code, the commission
32 shall include an evaluation of research, development, and
33 deployment efforts funded by this chapter. The evaluation shall
34 include all of the following:

35 (1) A list of projects funded by the Alternative and Renewable
36 Fuel and Vehicle Technology Fund.

37 (2) The expected benefits of the projects in terms of air quality,
38 petroleum use reduction, greenhouse gas emissions reduction,
39 technology advancement, benefit-cost assessment, and progress
40 towards achieving these benefits.

1 (3) The overall contribution of the funded projects toward
2 promoting a transition to a diverse portfolio of clean, alternative
3 transportation fuels and reduced petroleum dependency in
4 California.

5 (4) Key obstacles and challenges to meeting these goals
6 identified through funded projects.

7 (5) Recommendations for future actions.

8 ~~SEC. 13.~~

9 *SEC. 14.* Section 44274 of the Health and Safety Code is
10 amended to read:

11 44274. (a) The Air Quality Improvement Program is hereby
12 created. The program shall be administered by the state board, in
13 consultation with the districts. The state board shall develop
14 guidelines to implement the program. Prior to the adoption of the
15 guidelines, the state board shall hold at least one public hearing.
16 In addition, the state board shall hold at least three public
17 workshops with at least one workshop in northern California, one
18 in the central valley, and one in southern California. The purpose
19 of the program shall be to fund, upon appropriation by the
20 Legislature, air quality improvement projects relating to fuel and
21 vehicle technologies. The primary purpose of the program shall
22 be to fund projects to reduce criteria air pollutants, improve air
23 quality, and provide funding for research to determine and improve
24 the air quality impacts of alternative transportation fuels and
25 vehicles, vessels, and equipment technologies.

26 (b) The state board shall provide preference in awarding funding
27 to those projects with higher benefit-cost scores that maximize the
28 purposes and goals of the Air Quality Improvement Program. The
29 state board also may give additional preference based on the
30 following criteria, as applicable, in funding awards to projects:

31 (1) Proposed or potential reduction of criteria or toxic air
32 pollutants.

33 (2) Contribution to regional air quality improvement.

34 (3) Ability to promote the use of clean alternative fuels and
35 vehicle technologies as determined by the state board, in
36 coordination with the commission.

37 (4) Ability to achieve climate change benefits in addition to
38 criteria pollutant or air toxic emissions reductions.

1 (5) Ability to support market transformation of California's
2 vehicle or equipment fleet to utilize low carbon or zero-emission
3 technologies.

4 (6) Ability to leverage private capital investments.

5 (c) The program shall be limited to competitive grants, revolving
6 loans, loan guarantees, loans, and other appropriate funding
7 measures that further the purposes of the program. Projects to be
8 funded shall include only the following:

9 (1) Onroad and off-road equipment projects that are cost
10 effective.

11 (2) Projects that provide mitigation for off-road gasoline exhaust
12 and evaporative emissions.

13 (3) Projects that provide research to determine the air quality
14 impacts of alternative fuels and projects that study the life-cycle
15 impacts of alternative fuels and conventional fuels, the emissions
16 of biofuel and advanced reformulated gasoline blends, and air
17 pollution improvements and control technologies for use with
18 alternative fuels and vehicles.

19 (4) Projects that augment the University of California's
20 agricultural experiment station and cooperative extension programs
21 for research to increase sustainable biofuels production and
22 improve the collection of biomass feedstock.

23 (5) Incentives for small off-road equipment replacement to
24 encourage consumers to replace internal combustion engine lawn
25 and garden equipment.

26 (6) Incentives for medium- and heavy-duty vehicles and
27 equipment mitigation, including all of the following:

28 (A) Lower emission schoolbus programs.

29 (B) Electric, hybrid, and plug-in hybrid onroad and off-road
30 medium- and heavy-duty equipment.

31 (C) Regional air quality improvement and attainment programs
32 implemented by the state or districts in the most impacted regions
33 of the state.

34 (7) Workforce training initiatives related to advanced energy
35 technology designed to reduce air pollution, including
36 state-of-the-art equipment and goods, and new processes and
37 systems. Workforce training initiatives funded shall be broad-based
38 partnerships that leverage other public and private job training
39 programs and resources. These partnerships may include, though
40 are not limited to, employers, labor unions, labor-management

1 partnerships, community organizations, workforce investment
2 boards, postsecondary education providers including community
3 colleges, and economic development agencies.

4 (8) Incentives to identify and reduce emissions from
5 high-emitting light-duty vehicles.

6 (d) (1) Beginning January 1, 2011, the state board shall submit
7 to the Legislature a biennial report to evaluate the implementation
8 of the Air Quality Improvement Program established pursuant to
9 this chapter.

10 (2) The report shall include all of the following:

11 (A) A list of projects funded by the Air Quality Improvement
12 Account.

13 (B) The expected benefits of the projects in promoting clean,
14 alternative fuels and vehicle technologies.

15 (C) Improvement in air quality and public health, greenhouse
16 gas emissions reductions, and the progress made toward achieving
17 these benefits.

18 (D) The impact of the projects in making progress toward
19 attainment of state and federal air quality standards.

20 (E) Recommendations for future actions.

21 (3) The state board may include the information required to be
22 reported pursuant to paragraph (1) in an existing report to the
23 Legislature as the state board deems appropriate.

24 ~~SEC. 14.~~

25 *SEC. 15.* Section 44275 of the Health and Safety Code, as
26 amended by Section 5 of Chapter 707 of the Statutes of 2004, is
27 amended to read:

28 44275. (a) As used in this chapter, the following terms have
29 the following meanings:

30 (1) "Advisory board" means the Carl Moyer Program Advisory
31 Board created by Section 44297.

32 (2) "Btu" means British thermal unit.

33 (3) "Commission" means the State Energy Resources
34 Conservation and Development Commission.

35 (4) "Cost-effectiveness" means dollars provided to a project
36 pursuant to subdivision (d) of Section 44283 for each ton of
37 covered emission reduction attributed to a project or to the program
38 as a whole. In calculating cost-effectiveness, one-time grants of
39 funds made at the beginning of a project shall be annualized using
40 a time value of public funds or discount rate determined for each

1 project by the state board, taking into account the interest rate on
2 bonds, interest earned by state funds, and other factors as
3 determined appropriate by the state board. Cost-effectiveness shall
4 be calculated by dividing annualized costs by average annual
5 emissions reduction. The state board, in consultation with the
6 districts and concerned members of the public, shall establish
7 appropriate cost-effective limits for oxides of nitrogen, particulate
8 matter, and reactive organic gases and a reasonable system for
9 comparing the cost-effectiveness of proposed projects as described
10 in subdivision (a) of Section 44283.

11 (5) "Covered emissions" include emissions of oxides of nitrogen,
12 particulate matter, and reactive organic gases from any covered
13 source.

14 (6) "Covered engine" includes any internal combustion engine
15 or electric motor and drive powering a covered source.

16 (7) "Covered source" includes onroad vehicles, off-road
17 nonrecreational equipment and vehicles, locomotives, diesel marine
18 vessels, agricultural sources of air pollution, as defined in Section
19 39011.5, and, as determined by the state board, other high-emitting
20 engine categories.

21 (8) "Covered vehicle" includes any vehicle or piece of
22 equipment powered by a covered engine.

23 (9) "District" means a county air pollution control district or an
24 air quality management district.

25 (10) "Fund" means the Air Pollution Control Fund established
26 pursuant to Section 43015.

27 (11) "Mobile Source Air Pollution Reduction Review
28 Committee" means the Mobile Source Air Pollution Reduction
29 Review Committee created by Section 44244.

30 (12) "Incremental cost" means the cost of the project less a
31 baseline cost that would otherwise be incurred by the applicant in
32 the normal course of business. Incremental costs may include
33 added lease or fuel costs pursuant to Section 44283 as well as
34 incremental capital costs.

35 (13) "New very low emission vehicle" means a heavy-duty
36 vehicle that qualifies as a very low emission vehicle when it is a
37 new vehicle, where new vehicle has the same meaning as defined
38 in Section 430 of the Vehicle Code, or that is modified with the
39 approval and warranty of the original equipment manufacturer to

1 qualify as a very low emission vehicle within 12 months of delivery
2 to an owner for private or commercial use.

3 (14) “NO_x” means oxides of nitrogen.

4 (15) “Program” means the Carl Moyer Memorial Air Quality
5 Standards Attainment Program created by subdivision (a) of
6 Section 44280.

7 (16) “Repower” means replacing an engine with a different
8 engine. The term repower, as used in this chapter, generally refers
9 to replacing an older, uncontrolled engine with a new,
10 emissions-certified engine, although replacing an older
11 emissions-certified engine with a newer engine certified to lower
12 emissions standards may be eligible for funding under this program.

13 (17) “Retrofit” means making modifications to the engine and
14 fuel system such that the retrofitted engine does not have the same
15 specifications as the original engine.

16 (18) “Very low emission vehicle” means a heavy-duty vehicle
17 with emissions significantly lower than otherwise applicable
18 baseline emission standards or uncontrolled emission levels
19 pursuant to Section 44282.

20 (b) This section shall remain in effect only until January 1, 2024,
21 and as of that date is repealed, unless a later enacted statute, that
22 is enacted before January 1, 2024, deletes or extends that date.

23 ~~SEC. 15.~~

24 *SEC. 16.* Section 44275 of the Health and Safety Code, as
25 added by Section 5.5 of Chapter 707 of the Statutes of 2004, is
26 amended to read:

27 44275. (a) As used in this chapter, the following terms have
28 the following meanings:

29 (1) “Advisory board” means the Carl Moyer Program Advisory
30 Board created by Section 44297.

31 (2) “Btu” means British thermal unit.

32 (3) “Commission” means the State Energy Resources
33 Conservation and Development Commission.

34 (4) “Cost-effectiveness” means dollars provided to a project
35 pursuant to subdivision (d) of Section 44283 for each ton of NO_x
36 reduction attributed to a project or to the program as a whole. In
37 calculating cost-effectiveness, one-time grants of funds made at
38 the beginning of a project shall be annualized using a time value
39 of public funds or discount rate determined for each project by the
40 state board, taking into account the interest rate on bonds, interest

1 earned by state funds, and other factors as determined appropriate
2 by the state board. Cost-effectiveness shall be calculated by
3 dividing annualized costs by average annual emissions reduction
4 of NO_x in this state.

5 (5) “Covered engine” includes any internal combustion engine
6 or electric motor and drive powering a covered source.

7 (6) “Covered source” includes onroad vehicles of 14,000 pounds
8 gross vehicle weight rating (GVWR) or greater, off-road
9 nonrecreational equipment and vehicles, locomotives, diesel marine
10 vessels, stationary agricultural engines, and, as determined by the
11 state board, other high-emitting diesel engine categories.

12 (7) “Covered vehicle” includes any vehicle or piece of
13 equipment powered by a covered engine.

14 (8) “District” means a county air pollution control district or an
15 air quality management district.

16 (9) “Fund” means the Air Pollution Control Fund established
17 pursuant to Section 43015.

18 (10) “Mobile Source Air Pollution Reduction Review
19 Committee” means the Mobile Source Air Pollution Reduction
20 Review Committee created by Section 44244.

21 (11) “Incremental cost” means the cost of the project less a
22 baseline cost that would otherwise be incurred by the applicant in
23 the normal course of business. Incremental costs may include
24 added lease or fuel costs pursuant to Section 44283 as well as
25 incremental capital costs.

26 (12) “New very low emission vehicle” means a vehicle that
27 qualifies as a very low emission vehicle when it is a new vehicle,
28 where new vehicle has the same meaning as defined in Section
29 430 of the Vehicle Code, or that is modified with the approval and
30 warranty of the original equipment manufacturer to qualify as a
31 very low emission vehicle within 12 months of delivery to an
32 owner for private or commercial use.

33 (13) “NO_x” means oxides of nitrogen.

34 (14) “Program” means the Carl Moyer Memorial Air Quality
35 Standards Attainment Program created by subdivision (a) of
36 Section 44280.

37 (15) “Repower” means replacing an engine with a different
38 engine. The term repower, as used in this chapter, generally refers
39 to replacing an older, uncontrolled engine with a new,
40 emissions-certified engine, although replacing an older

1 emissions-certified engine with a newer engine certified to lower
2 emissions standards may be eligible for funding under this program.

3 (16) “Retrofit” means making modifications to the engine and
4 fuel system such that the retrofitted engine does not have the same
5 specifications as the original engine.

6 (17) “Very low emission vehicle” means a vehicle with
7 emissions significantly lower than otherwise applicable baseline
8 emission standards or uncontrolled emission levels pursuant to
9 Section 44282.

10 (b) This section shall become operative on January 1, 2024.

11 ~~SEC. 16.~~

12 *SEC. 17.* Section 44280 of the Health and Safety Code, as
13 amended by Section 6 of Chapter 707 of the Statutes of 2004, is
14 amended to read:

15 44280. (a) There is hereby created the Carl Moyer Memorial
16 Air Quality Standards Attainment Program. The program shall be
17 administered by the state board in accordance with this chapter.
18 The administration of the program may be delegated to the districts.

19 (b) The program shall provide grants to offset the incremental
20 cost of projects that reduce covered emissions from covered sources
21 in California. Eligibility for grant awards shall be determined by
22 the state board, in consultation with the districts, in accordance
23 with this chapter.

24 (c) The program shall also provide funding for a fueling
25 infrastructure demonstration program and for technology
26 development efforts that are expected to result in commercially
27 available technologies in the near-term that would improve the
28 ability of the program to achieve its goals. The infrastructure
29 demonstration and technology development portions of the program
30 shall be managed by the commission, in consultation with the state
31 board.

32 (d) This section shall remain in effect only until January 1, 2024,
33 and as of that date is repealed, unless a later enacted statute, that
34 is enacted before January 1, 2024, deletes or extends that date.

35 ~~SEC. 17.~~

36 *SEC. 18.* Section 44280 of the Health and Safety Code, as
37 added by Section 6.5 of Chapter 707 of the Statutes of 2004, is
38 amended to read:

39 44280. (a) There is hereby created the Carl Moyer Memorial
40 Air Quality Standards Attainment Program. The program shall be

1 administered by the state board in accordance with this chapter.
2 The administration of the program may be delegated to the districts.

3 (b) The program shall provide grants to offset the incremental
4 cost of projects that reduce emissions of NO_x from covered sources
5 in California. Eligibility for grant awards shall be determined by
6 the state board, in consultation with the districts, in accordance
7 with this chapter.

8 (c) The program shall also provide funding for a fueling
9 infrastructure demonstration program and for technology
10 development efforts that are expected to result in commercially
11 available technologies in the near-term that would improve the
12 ability of the program to achieve its goals. The infrastructure
13 demonstration and technology development portions of the program
14 shall be managed by the commission, in consultation with the state
15 board.

16 (d) This section shall become operative on January 1, 2024.

17 ~~SEC. 18.~~

18 *SEC. 19.* Section 44281 of the Health and Safety Code, as
19 amended by Section 7 of Chapter 707 of the Statutes of 2004, is
20 amended to read:

21 44281. (a) Eligible projects include, but are not limited to, any
22 of the following:

23 (1) Purchase of new very low or zero-emission covered vehicles
24 or covered heavy-duty engines.

25 (2) Emission-reducing retrofit of covered engines, or
26 replacement of old engines powering covered sources with newer
27 engines certified to more stringent emissions standards than the
28 engine being replaced, or with electric motors or drives.

29 (3) Purchase and use of emission-reducing add-on equipment
30 that has been verified by the state board for covered vehicles.

31 (4) Development and demonstration of practical, low-emission
32 retrofit technologies, repower options, and advanced technologies
33 for covered engines and vehicles with very low emissions of NO_x.

34 (5) Light- and medium-duty vehicle projects in compliance with
35 guidelines adopted by the state board pursuant to Title 13 of the
36 California Code of Regulations.

37 (b) No project shall be funded under this chapter after the
38 compliance date required by any local, state, or federal statute,
39 rule, regulation, memoranda of agreement or understanding, or
40 other legally binding document, except that an otherwise qualified

project may be funded even if the state implementation plan assumes that the change in equipment, vehicles, or operations will occur, if the change is not required by the compliance date of a statute, regulation, or other legally binding document in effect as of the date the grant is awarded. No project funded by the program shall be used for credit under any state or federal emissions averaging, banking, or trading program. No emission reduction generated by the program shall be used as marketable emission reduction credits or to offset any emission reduction obligation of any person or entity. Projects involving new engines that would otherwise generate marketable credits under state or federal averaging, banking, and trading programs shall include transfer of credits to the engine end user and retirement of those credits toward reducing air emissions in order to qualify for funding under the program. A purchase of a low-emission vehicle or of equipment pursuant to a corporate or a controlling board's policy, but not otherwise required by law, shall generate surplus emissions reductions and may be funded by the program.

(c) The program may also provide funding toward installation of fueling or electrification infrastructure as provided in Section 44284.

(d) Eligible applicants may be any individual, company, or public agency that owns one or more covered vehicles that operate primarily within California or otherwise contribute substantially to the NO_x, particulate matter (PM), or reactive organic gas (ROG) emissions inventory in California.

(e) It is the intent of the Legislature that all emission reductions generated by this chapter shall contribute to public health by reducing, for the life of the vehicle being funded, the total amount of emissions in California.

(f) This section shall remain in effect only until January 1, 2024, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2024, deletes or extends that date.

~~SEC. 19.~~

SEC. 20. Section 44281 of the Health and Safety Code, as added by Section 7.5 of Chapter 707 of the Statutes of 2004, is amended to read:

44281. (a) Eligible projects are any of the following:

(1) Purchase of new very low or zero-emission covered vehicles or covered engines.

(2) Emission-reducing retrofit of covered engines, or replacement of old engines powering covered sources with newer engines certified to more stringent emissions standards than the engine being replaced, or with electric motors or drives.

(3) Purchase and use of emission-reducing add-on equipment for covered vehicles.

(4) Development and demonstration of practical, low-emission retrofit technologies, repower options, and advanced technologies for covered engines and vehicles with very low emissions of NO_x.

(b) No new purchase, retrofit, repower, or add-on equipment shall be funded under this chapter if it is required by any local, state, or federal statute, rule, regulation, memoranda of agreement or understanding, or other legally binding document, except that an otherwise qualified project may be funded even if the state implementation plan assumes that the change in equipment, vehicles, or operations will occur, if the change is not required by a statute, regulation, or other legally binding document in effect as of the date the grant is awarded. No project funded by the program shall be used for credit under any state or federal emissions averaging, banking, or trading program. No emission reduction generated by the program shall be used as marketable emission reduction credits or to offset any emission reduction obligation of any entity. Projects involving new engines that would otherwise generate marketable credits under state or federal averaging, banking, and trading programs shall include transfer of credits to the engine end user and retirement of those credits toward reducing air emissions in order to qualify for funding under the program. A purchase of a low-emission vehicle or of equipment pursuant to a corporate or a controlling board's policy, but not otherwise required by law, shall generate surplus emissions reductions and may be funded by the program.

(c) The program may also provide funding toward installation of fueling or electrification infrastructure as provided in Section 44284.

(d) Eligible applicants may be any individual, company, or public agency that owns one or more covered vehicles that operate primarily within California or otherwise contribute substantially to the NO_x emissions inventory in California.

(e) It is the intent of the Legislature that all emission reductions generated by this chapter shall contribute to public health by

1 reducing, for the life of the vehicle being funded, the total amount
2 of emissions in California.

3 (f) This section shall become operative on January 1, 2024.

4 ~~SEC. 20.~~

5 *SEC. 21.* Section 44282 of the Health and Safety Code, as
6 amended by Section 8 of Chapter 707 of the Statutes of 2004, is
7 amended to read:

8 44282. The following criteria apply to all projects to be funded
9 through the program except for projects funded through the
10 infrastructure demonstration program:

11 (a) The state board may establish project criteria, including
12 minimum project life for source categories, in the guidelines
13 described in Section 44287. For previously unregulated source
14 categories, project criteria shall consider the timing of newly
15 established regulatory requirements.

16 (b) To be eligible, projects shall meet the cost-effectiveness per
17 ton of covered emissions reduced requirements of Section 44283.

18 (c) To be eligible, retrofits, repowers, and installation of add-on
19 equipment for covered vehicles shall be performed, or new covered
20 vehicles delivered to the end user, or covered vehicles scrapped
21 on or after the date the program is implemented.

22 (d) Retrofit technologies, new engines, and new vehicles shall
23 be certified for sale or under experimental permit for operation in
24 California.

25 (e) Repower projects that replace older, uncontrolled engines
26 with new, emissions-certified engines or that replace
27 emissions-certified engines with new engines certified to a more
28 stringent NO_x emissions standard are approvable subject to the
29 other applicable selection criteria. The state board shall determine
30 appropriate baseline emission levels for the uncontrolled engines
31 being replaced.

32 (f) For heavy-duty-vehicle projects, retrofit and add-on
33 equipment projects shall document a NO_x or PM emission
34 reduction of at least 25 percent and no increase in other covered
35 emissions compared to the applicable baseline emissions accepted
36 by the state board for that engine year and application. The state
37 board shall determine appropriate baseline emission levels.
38 Acceptable documentation shall be defined by the state board.
39 After study of available emission reduction technologies and after
40 public notice and comment, the state board may revise the

1 minimum percentage emission reduction criterion for retrofits and
2 add-on equipment provided for in this section to improve the ability
3 of the program to achieve its goals.

4 (g) (1) For heavy-duty-vehicle projects involving the purchase
5 of new very low or zero-emission vehicles, engines shall be
6 certified to an optional low NO_x emissions standard established
7 by the state board, except as provided for in paragraph (2).

8 (2) For heavy-duty-vehicle projects involving the purchase of
9 new very low or zero-emission covered vehicles for which no
10 optional low NO_x emission standards are available, documentation
11 shall be provided showing that the low or zero-emission engine
12 emits not more than 70 percent of the NO_x or NO_x plus
13 hydrocarbon emissions of a new engine certified to the applicable
14 baseline NO_x or NO_x plus hydrocarbon emission standard for that
15 engine and meets applicable particulate standards. The state board
16 shall specify the documentation required. If no baseline emission
17 standard exists for new vehicles in a particular category, the state
18 board shall determine an appropriate baseline emission level for
19 comparison.

20 (h) For projects other than heavy-duty-vehicle projects, the state
21 board shall determine appropriate criteria under the provisions of
22 Section 44287.

23 (i) This section shall remain in effect only until January 1, 2024,
24 and as of that date is repealed, unless a later enacted statute, that
25 is enacted before January 1, 2024, deletes or extends that date.

26 ~~SEC. 21.~~

27 *SEC. 22.* Section 44282 of the Health and Safety Code, as
28 added by Section 8.5 of Chapter 707 of the Statutes of 2004, is
29 amended to read:

30 44282. The following criteria apply to all projects to be funded
31 through the program except for projects funded through the
32 infrastructure demonstration program:

33 (a) Except for projects involving marine vessels, 75 percent or
34 more of vehicle miles traveled or hours of operation shall be
35 projected to be in California for at least five years following the
36 grant award. Projects involving marine vessels and engines shall
37 be limited to those that spend enough time operating in California
38 air basins over the lifetime of the project to meet the
39 cost-effectiveness criteria based on NO_x reductions in California,
40 as provided in Section 44283.

1 (b) To be eligible, projects shall meet cost-effectiveness per ton
2 of NO_x reduced requirements of Section 44283.

3 (c) To be eligible, retrofits, repowers, and installation of add-on
4 equipment for covered vehicles shall be performed, or new covered
5 vehicles delivered to the end user, on or after the date the program
6 is implemented.

7 (d) Retrofit technologies, new engines, and new vehicles shall
8 be certified for sale or under experimental permit for operation in
9 California.

10 (e) Repower projects that replace older, uncontrolled engines
11 with new, emissions-certified engines or that replace
12 emissions-certified engines with new engines certified to a more
13 stringent NO_x emissions standard are approvable subject to the
14 other applicable selection criteria. The state board shall determine
15 appropriate baseline emission levels for the uncontrolled engines
16 being replaced.

17 (f) Retrofit and add-on equipment projects shall document a
18 NO_x emission reduction of at least 25 percent and no increase in
19 particulate emissions compared to the applicable baseline emissions
20 accepted by the state board for that engine year and application.
21 The state board shall determine appropriate baseline emission
22 levels. Acceptable documentation shall be defined by the state
23 board. After study of available emission reduction technologies
24 and after public notice and comment, the state board may revise
25 the minimum percentage NO_x reduction criterion for retrofits and
26 add-on equipment provided for in this section to improve the ability
27 of the program to achieve its goals.

28 (g) (1) For projects involving the purchase of new very low or
29 zero-emission vehicles, engines shall be certified to an optional
30 low NO_x emissions standard established by the state board, except
31 as provided for in paragraph (2).

32 (2) For projects involving the purchase of new very low or
33 zero-emission covered vehicles for which no optional low NO_x
34 emission standards are available, documentation shall be provided
35 showing that the low or zero-emission engine emits not more than
36 70 percent of the NO_x or NO_x plus hydrocarbon emissions of a
37 new engine certified to the applicable baseline NO_x or NO_x plus
38 hydrocarbon emission standard for that engine and meets applicable
39 particulate standards. The state board shall specify the
40 documentation required. If no baseline emission standard exists

1 for new vehicles in a particular category, the state board shall
2 determine an appropriate baseline emission level for comparison.

3 (h) This section shall become operative on January 1, 2024.

4 ~~SEC. 22.~~

5 *SEC. 23.* Section 44283 of the Health and Safety Code, as
6 amended by Section 1 of Chapter 571 of the Statutes of 2010, is
7 amended to read:

8 44283. (a) Grants shall not be made for projects with a
9 cost-effectiveness, calculated in accordance with this section, of
10 more than thirteen thousand six hundred dollars (\$13,600) per ton
11 of NO_x reduced in California or a higher value that reflects state
12 consumer price index adjustments on or after January 1, 2006, as
13 determined by the state board. For projects obtaining reactive
14 organic gas and particulate matter reductions, the state board shall
15 determine appropriate adjustment factors to calculate a weighted
16 cost-effectiveness.

17 (b) Only covered emission reductions occurring in this state
18 shall be included in the cost-effectiveness determination. The
19 extent to which emissions generated at sea contribute to air quality
20 in California nonattainment areas shall be incorporated into these
21 methodologies based on a reasonable assessment of currently
22 available information and modeling assumptions.

23 (c) The state board shall develop protocols for calculating the
24 surplus covered emission reductions in California from
25 representative project types over the life of the project.

26 (d) The cost of the covered emission reduction is the amount
27 of the grant from the program, including matching funds provided
28 pursuant to subdivision (e) of Section 44287, plus any other state
29 funds, or funds under the district's budget authority or fiduciary
30 control, provided toward the project, not including funds described
31 in paragraphs (1) and (2) of subdivision (a) of Section 44287.2.
32 The state board shall establish reasonable methodologies for
33 evaluating project cost-effectiveness, consistent with the definition
34 contained in paragraph (4) of subdivision (a) of Section 44275,
35 and with accepted methods, taking into account a fair and
36 reasonable discount rate or time value of public funds.

37 (e) A grant shall not be made that, net of taxes, provides the
38 applicant with funds in excess of the incremental cost of the project.
39 Incremental lease costs may be capitalized according to guidelines

1 adopted by the state board so that these incremental costs may be
2 offset by a one-time grant award.

3 (f) Funds under a district's budget authority or fiduciary control
4 may be used to pay for the incremental cost of liquid or gaseous
5 fuel, other than standard gasoline or diesel, which is integral to a
6 covered emission reducing technology that is part of a project
7 receiving grant funding under the program. The fuel shall be
8 approved for sale by the state board. The incremental fuel cost
9 over the expected lifetime of the vehicle may be offset by the
10 district if the project as a whole, including the incremental fuel
11 cost, meets all of the requirements of this chapter, including the
12 maximum allowed cost-effectiveness. The state board shall develop
13 an appropriate methodology for converting incremental fuel costs
14 over the vehicle lifetime into an initial cost for the purposes of
15 determining project cost-effectiveness. Incremental fuel costs shall
16 not be included in project costs for fuels dispensed from any facility
17 that was funded, in whole or in part, from the fund.

18 (g) For purposes of determining any grant amount pursuant to
19 this chapter, the incremental cost of any new purchase, retrofit,
20 repower, or add-on equipment shall be reduced by the value of
21 any current financial incentive that directly reduces the project
22 price, including any tax credits or deductions, grants, or other
23 public financial assistance, not including funds described in
24 paragraphs (1) and (2) of subdivision (a) of Section 44287.2.
25 Project proponents applying for funding shall be required to state
26 in their application any other public financial assistance to the
27 project.

28 (h) For projects that would repower off-road equipment by
29 replacing uncontrolled diesel engines with new, certified diesel
30 engines, the state board may establish maximum grant award
31 amounts per repower. A repower project shall also be subject to
32 the incremental cost maximum pursuant to subdivision (e).

33 (i) After study of available emission reduction technologies and
34 costs and after public notice and comment, the state board may
35 reduce the values of the maximum grant award criteria stated in
36 this section to improve the ability of the program to achieve its
37 goals. Every year the state board shall adjust the maximum
38 cost-effectiveness amount established in subdivision (a) and any
39 per-project maximum set by the state board pursuant to subdivision
40 (h) to account for inflation.

(j) This section shall remain in effect only until January 1, 2024, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2024, deletes or extends that date.

~~SEC. 23.~~

SEC. 24. Section 44283 of the Health and Safety Code, as amended by Section 2 of Chapter 571 of the Statutes of 2010, is amended to read:

44283. (a) Grants shall not be made for projects with a cost-effectiveness, calculated in accordance with this section, of more than twelve thousand dollars (\$12,000) per ton of NO_x reduced in California or a higher value that reflects state consumer price index adjustments on or after January 1, 2024, as determined by the state board.

(b) Only NO_x reductions occurring in this state shall be included in the cost-effectiveness determination. The extent to which emissions generated at sea contribute to air quality in California nonattainment areas shall be incorporated into these methodologies based on a reasonable assessment of currently available information and modeling assumptions.

(c) The state board shall develop protocols for calculating the surplus NO_x reductions in California from representative project types over the life of the project.

(d) The cost of the NO_x reduction is the amount of the grant from the program, including matching funds provided pursuant to subdivision (e) of Section 44287, plus any other state funds, or funds under the district's budget authority or fiduciary control, provided toward the project, not including funds described in paragraphs (1) and (2) of subdivision (a) of Section 44287.2. The state board shall establish reasonable methodologies for evaluating project cost-effectiveness, consistent with the definition contained in paragraph (4) of subdivision (a) of Section 44275, and with accepted methods, taking into account a fair and reasonable discount rate or time value of public funds.

(e) A grant shall not be made that, net of taxes, provides the applicant with funds in excess of the incremental cost of the project. Incremental lease costs may be capitalized according to guidelines adopted by the state board so that these incremental costs may be offset by a one-time grant award.

(f) Funds under a district's budget authority or fiduciary control may be used to pay for the incremental cost of liquid or gaseous

1 fuel, other than standard gasoline or diesel, which is integral to a
2 NO_x reducing technology that is part of a project receiving grant
3 funding under the program. The fuel shall be approved for sale by
4 the state board. The incremental fuel cost over the expected lifetime
5 of the vehicle may be offset by the district if the project as a whole,
6 including the incremental fuel cost, meets all of the requirements
7 of this chapter, including the maximum allowed cost-effectiveness.
8 The state board shall develop an appropriate methodology for
9 converting incremental fuel costs over the vehicle lifetime into an
10 initial cost for the purposes of determining project
11 cost-effectiveness. Incremental fuel costs shall not be included in
12 project costs for fuels dispensed from any facility that was funded,
13 in whole or in part, from the fund.

14 (g) For purposes of determining any grant amount pursuant to
15 this chapter, the incremental cost of any new purchase, retrofit,
16 repower, or add-on equipment shall be reduced by the value of
17 any current financial incentive that directly reduces the project
18 price, including any tax credits or deductions, grants, or other
19 public financial assistance, not including funds described in
20 paragraphs (1) and (2) of subdivision (a) of Section 44287.2.
21 Project proponents applying for funding shall be required to state
22 in their application any other public financial assistance to the
23 project.

24 (h) For projects that would repower off-road equipment by
25 replacing uncontrolled diesel engines with new, certified diesel
26 engines, the state board may establish maximum grant award
27 amounts per repower. A repower project shall also be subject to
28 the incremental cost maximum pursuant to subdivision (e).

29 (i) After study of available emission reduction technologies and
30 costs and after public notice and comment, the state board may
31 reduce the values of the maximum grant award criteria stated in
32 this section to improve the ability of the program to achieve its
33 goals. Every year the state board shall adjust the maximum
34 cost-effectiveness amount established in subdivision (a) and any
35 per-project maximum set by the state board pursuant to subdivision
36 (h) to account for inflation.

37 (j) This section shall become operative on January 1, 2024.

1 ~~SEC. 24.~~

2 *SEC. 25.* Section 44287 of the Health and Safety Code, as
3 amended by Section 10 of Chapter 707 of the Statutes of 2004, is
4 amended to read:

5 44287. (a) The state board shall establish or update grant
6 criteria and guidelines consistent with this chapter for covered
7 vehicle projects as soon as practicable, but not later than January
8 1, 2006. The adoption of guidelines is exempt from the rulemaking
9 provisions of the Administrative Procedure Act, Chapter 3.5
10 (commencing with Section 11340) of Part 1 of Division 3 of Title
11 2 of the Government Code. The state board shall solicit input and
12 comment from the districts during the development of the criteria
13 and guidelines and shall make every effort to develop criteria and
14 guidelines that are compatible with existing district programs that
15 are also consistent with this chapter. Guidelines shall include
16 protocols to calculate project cost-effectiveness. The grant criteria
17 and guidelines shall include safeguards to ensure that the project
18 generates surplus emissions reductions. Guidelines shall enable
19 and encourage districts to cofund projects that provide emissions
20 reductions in more than one district. The state board shall make
21 draft criteria and guidelines available to the public 45 days before
22 final adoption, and shall hold at least one public meeting to
23 consider public comments before final adoption. The state board
24 may develop separate guidelines and criteria for the different types
25 of eligible projects described in subdivision (a) of Section 44281.

26 (b) The state board, in consultation with the participating
27 districts, may propose revisions to the criteria and guidelines
28 established pursuant to subdivision (a) as necessary to improve
29 the ability of the program to achieve its goals. A proposed revision
30 shall be made available to the public 45 days before final adoption
31 of the revision and the state board shall hold at least one public
32 meeting to consider public comments before final adoption of the
33 revision.

34 (c) The state board shall reserve funds for, and disburse funds
35 to, districts from the fund for administration pursuant to this section
36 and Section 44299.1.

37 (d) The state board shall develop guidelines for a district to
38 follow in applying for the reservation of funds, in accordance with
39 this chapter. It is the intent of the Legislature that district
40 administration of any reserved funds be in accordance with the

1 project selection criteria specified in Sections 44281, 44282, and
2 44283 and all other provisions of this chapter. The guidelines shall
3 be established and published by the state board as soon as
4 practicable, but not later than January 1, 2006.

5 (e) Funds shall be reserved by the state board for administration
6 by a district that adopts an eligible program pursuant to this chapter
7 and offers matching funds at a ratio of one dollar (\$1) of matching
8 funds committed by the district or the Mobile Source Air Pollution
9 Reduction Review Committee for every two dollars (\$2) committed
10 from the fund. Funds available to the Mobile Source Air Pollution
11 Reduction Review Committee may be counted as matching funds
12 for projects in the South Coast Air Basin only if the committee
13 approves the use of these funds for matching purposes. Matching
14 funds may be any funds under the district's budget authority that
15 are committed to be expended in accordance with the program.
16 Funds committed by a port authority or a local government, in
17 cooperation with a district, to be expended in accordance with the
18 program may also be counted as district matching funds. Matching
19 funds provided by a port authority or a local government may not
20 exceed 30 percent of the total required matching funds in any
21 district that applies for more than three hundred thousand dollars
22 (\$300,000) of the state board funds. Only a district, or a port
23 authority or a local government teamed with a district, may provide
24 matching funds.

25 (f) The state board may adjust the ratio of matching funds
26 described in subdivision (e), if it determines that an adjustment is
27 necessary in order to maximize the use of, or the air quality benefits
28 provided by, the program, based on a consideration of the financial
29 resources of the district.

30 (g) Notwithstanding subdivision (e), a district need not provide
31 matching funds for state board funds allocated to the district for
32 program outreach activities pursuant to paragraph (4) of subdivision
33 (a) of Section 44299.1.

34 (h) A district may include within its matching funds a reasonable
35 estimate of direct or in-kind costs for assistance in providing
36 program outreach and application evaluation. In-kind and direct
37 matching funds shall not exceed 15 percent of the total matching
38 funds offered by a district. A district may also include within its
39 matching funds any money spent on or after February 25, 1999,

1 that would have qualified as matching funds but were not
2 previously claimed as matching funds.

3 (i) A district desiring a reservation of funds shall apply to the
4 state board following the application guidelines established
5 pursuant to this section. The state board shall approve or disapprove
6 a district application not later than 60 days after receipt. Upon
7 approval of any district application, the state board shall
8 simultaneously approve a reservation of funding for that district
9 to administer. Reserved funds shall be disbursed to the district so
10 that funding of a district-approved project is not impeded.

11 (j) Notwithstanding any other provision of this chapter, districts
12 and the Mobile Source Air Pollution Reduction Review Committee
13 shall not use funds collected pursuant to Section 41081 or Chapter
14 7 (commencing with Section 44220), or pursuant to Section
15 9250.11 of the Vehicle Code, as matching funds to fund a project
16 with stationary or portable engines, locomotives, or marine vessels.

17 (k) Any funds reserved for a district pursuant to this section are
18 available to the district for a period of not more than two years
19 from the time of reservation. Funds not expended by June 30 of
20 the second calendar year following the date of the reservation shall
21 revert back to the state board as of that June 30, and shall be
22 deposited in the fund for use by the program. The funds may then
23 be redirected based on applications to the fund. Regardless of any
24 reversion of funds back to the state board, the district may continue
25 to request other reservations of funds for local administration. Each
26 reservation of funds shall be accounted for separately, and unused
27 funds from each application shall revert back to the state board as
28 specified in this subdivision.

29 (l) The state board shall specify a date each year when district
30 applications are due. If the eligible applications received in any
31 year oversubscribe the available funds, the state board shall reserve
32 funds on an allocation basis, pursuant to Section 44299.2. The
33 state board may accept a district application after the due date for
34 a period of months specified by the state board. Funds may be
35 reserved in response to those applications, in accordance with this
36 chapter, out of funds remaining after the original reservation of
37 funds for the year.

38 (m) Guidelines for a district application shall require information
39 from an applicant district to the extent necessary to meet the

1 requirements of this chapter, but shall otherwise minimize the
2 information required of a district.

3 (n) A district application shall be reviewed by the state board
4 immediately upon receipt. If the state board determines that an
5 application is incomplete, the applicant shall be notified within 10
6 working days with an explanation of what is missing from the
7 application. A completed application fulfilling the criteria shall be
8 approved as soon as practicable, but not later than 60 working days
9 after receipt.

10 (o) The commission, in consultation with the districts, shall
11 establish project approval criteria and guidelines for infrastructure
12 projects consistent with Section 44284 as soon as practicable, but
13 not later than February 15, 2000. The commission shall make draft
14 criteria and guidelines available to the public 45 days before final
15 adoption, and shall hold at least one public meeting to consider
16 public comments before final adoption.

17 (p) The commission, in consultation with the participating
18 districts, may propose revisions to the criteria and guidelines
19 established pursuant to subdivision (o) as necessary to improve
20 the ability of the program to achieve its goals. A revision may be
21 proposed at any time, or may be proposed in response to a finding
22 made in the annual report on the program published by the state
23 board pursuant to Section 44295. A proposed revision shall be
24 made available to the public 45 days before final adoption of the
25 revision and the commission shall hold at least one public meeting
26 to consider public comments before final adoption of the revision.

27 (q) Unclaimed funds will be allocated by the state board in
28 accordance with Section 44299.2.

29 (r) This section shall remain in effect only until January 1, 2024,
30 and as of that date is repealed, unless a later enacted statute, that
31 is enacted before January 1, 2024, deletes or extends that date.

32 ~~SEC. 25.~~

33 *SEC. 26.* Section 44287 of the Health and Safety Code, as
34 added by Section 10.5 of Chapter 707 of the Statutes of 2004, is
35 amended to read:

36 44287. (a) The state board shall establish grant criteria and
37 guidelines consistent with this chapter for covered vehicle projects
38 as soon as practicable, but not later than January 1, 2000. The
39 adoption of guidelines is exempt from the rulemaking provisions
40 of the Administrative Procedure Act, Chapter 3.5 (commencing

1 with Section 11340) of Part 1 of Division 3 of Title 2 of the
2 Government Code. The state board shall solicit input and comment
3 from the districts during the development of the criteria and
4 guidelines and shall make every effort to develop criteria and
5 guidelines that are compatible with existing district programs that
6 are also consistent with this chapter. Guidelines shall include
7 protocols to calculate project cost-effectiveness. The grant criteria
8 and guidelines shall include safeguards to ensure that the project
9 generates surplus emissions reductions. Guidelines shall enable
10 and encourage districts to cofund projects that provide emissions
11 reductions in more than one district. The state board shall make
12 draft criteria and guidelines available to the public 45 days before
13 final adoption, and shall hold at least one public meeting to
14 consider public comments before final adoption.

15 (b) The state board, in consultation with the participating
16 districts, may propose revisions to the criteria and guidelines
17 established pursuant to subdivision (a) as necessary to improve
18 the ability of the program to achieve its goals. A proposed revision
19 shall be made available to the public 45 days before final adoption
20 of the revision and the state board shall hold at least one public
21 meeting to consider public comments before final adoption of the
22 revision.

23 (c) The state board shall reserve funds for, and disburse funds
24 to, districts from the fund for administration pursuant to this section
25 and Section 44299.1.

26 (d) The state board shall develop guidelines for a district to
27 follow in applying for the reservation of funds, in accordance with
28 this chapter. It is the intent of the Legislature that district
29 administration of any reserved funds be in accordance with the
30 project selection criteria specified in Sections 44281, 44282, and
31 44283 and all other provisions of this chapter. The guidelines shall
32 be established and published by the state board as soon as
33 practicable, but not later than January 1, 2000.

34 (e) Funds shall be reserved by the state board for administration
35 by a district that adopts an eligible program pursuant to this chapter
36 and offers matching funds at a ratio of one dollar (\$1) of matching
37 funds committed by the district or the Mobile Source Air Pollution
38 Reduction Review Committee for every two dollars (\$2) committed
39 from the fund. Funds available to the Mobile Source Air Pollution
40 Reduction Review Committee may be counted as matching funds

1 for projects in the South Coast Air Basin only if the committee
2 approves the use of these funds for matching purposes. Matching
3 funds may be any funds under the district's budget authority that
4 are committed to be expended in accordance with the program.
5 Funds committed by a port authority or a local government, in
6 cooperation with a district, to be expended in accordance with the
7 program may also be counted as district matching funds. Matching
8 funds provided by a port authority or a local government may not
9 exceed 30 percent of the total required matching funds in any
10 district that applies for more than three hundred thousand dollars
11 (\$300,000) of the state board funds. Only a district, or a port
12 authority or a local government teamed with a district, may provide
13 matching funds.

14 (f) The state board may adjust the ratio of matching funds
15 described in subdivision (e), if it determines that an adjustment is
16 necessary in order to maximize the use of, or the air quality benefits
17 provided by, the program, based on a consideration of the financial
18 resources of the district.

19 (g) Notwithstanding subdivision (e), a district need not provide
20 matching funds for state board funds allocated to the district for
21 program outreach activities pursuant to paragraph (4) of subdivision
22 (a) of Section 44299.1.

23 (h) A district may include within its matching funds a reasonable
24 estimate of direct or in-kind costs for assistance in providing
25 program outreach and application evaluation. In-kind and direct
26 matching funds shall not exceed 15 percent of the total matching
27 funds offered by a district. A district may also include within its
28 matching funds any money spent on or after February 25, 1999,
29 that would have qualified as matching funds but were not
30 previously claimed as matching funds.

31 (i) A district desiring a reservation of funds shall apply to the
32 state board following the application guidelines established
33 pursuant to this section. The state board shall approve or disapprove
34 a district application not later than 60 days after receipt. Upon
35 approval of any district application, the state board shall
36 simultaneously approve a reservation of funding for that district
37 to administer. Reserved funds shall be disbursed to the district so
38 that funding of a district-approved project is not impeded.

39 (j) Notwithstanding any other provision of this chapter, districts
40 and the Mobile Source Air Pollution Reduction Review Committee

1 shall not use funds collected pursuant to Section 41081 or Chapter
2 7 (commencing with Section 44220), or pursuant to Section
3 9250.11 of the Vehicle Code, as matching funds to fund a project
4 with stationary or portable engines, locomotives, or marine vessels.

5 (k) Any funds reserved for a district pursuant to this section are
6 available to the district for a period of not more than two years
7 from the time of reservation. Funds not expended by June 30 of
8 the second calendar year following the date of the reservation shall
9 revert back to the state board as of that June 30, and shall be
10 deposited in the fund for use by the program. The funds may then
11 be redirected based on applications to the fund. Regardless of any
12 reversion of funds back to the state board, the district may continue
13 to request other reservations of funds for local administration. Each
14 reservation of funds shall be accounted for separately, and unused
15 funds from each application shall revert back to the state board as
16 specified in this subdivision.

17 (l) The state board shall specify a date each year when district
18 applications are due. If the eligible applications received in any
19 year oversubscribe the available funds, the state board shall reserve
20 funds on an allocation basis, pursuant to subdivision (b) of Section
21 44299.1. The state board may accept a district application after
22 the due date for a period of months specified by the state board.
23 Funds may be reserved in response to those applications, in
24 accordance with this chapter, out of funds remaining after the
25 original reservation of funds for the year.

26 (m) Guidelines for a district application shall require information
27 from an applicant district to the extent necessary to meet the
28 requirements of this chapter, but shall otherwise minimize the
29 information required of a district.

30 (n) A district application shall be reviewed by the state board
31 immediately upon receipt. If the state board determines that an
32 application is incomplete, the applicant shall be notified within 10
33 working days with an explanation of what is missing from the
34 application. A completed application fulfilling the criteria shall be
35 approved as soon as practicable, but not later than 60 working days
36 after receipt.

37 (o) The state board, in consultation with the districts, shall
38 establish project approval criteria and guidelines for infrastructure
39 projects consistent with Section 44284 as soon as practicable, but
40 not later than February 15, 2000. The commission shall make draft

1 criteria and guidelines available to the public 45 days before final
2 adoption, and shall hold at least one public meeting to consider
3 public comments before final adoption.

4 (p) The state board, in consultation with the participating
5 districts, may propose revisions to the criteria and guidelines
6 established pursuant to subdivision (o) as necessary to improve
7 the ability of the program to achieve its goals. A revision may be
8 proposed at any time, or may be proposed in response to a finding
9 made in the annual report on the program published by the state
10 board pursuant to Section 44295. A proposed revision shall be
11 made available to the public 45 days before final adoption of the
12 revision and the commission shall hold at least one public meeting
13 to consider public comments before final adoption of the revision.

14 (q) This section shall become operative on January 1, 2024.

15 ~~SEC. 26.~~

16 *SEC. 27.* Section 44299 of the Health and Safety Code is
17 repealed.

18 ~~SEC. 27.~~

19 *SEC. 28.* Section 44299.1 of the Health and Safety Code, as
20 amended by Section 3 of Chapter 627 of the Statutes of 2006, is
21 amended to read:

22 44299.1. (a) To ensure that emission reductions are obtained
23 as needed from pollution sources, any moneys deposited in the
24 fund for use by the program or appropriated to the program shall
25 be segregated and administered as follows:

26 (1) Not more than 2 percent of the moneys in the fund for use
27 by the program shall be allocated to program support and outreach
28 costs incurred by the state board and the commission directly
29 associated with implementing the program pursuant to this chapter.
30 These funds shall be allocated to the state board and the
31 commission in proportion to total program funds administered by
32 the state board and the commission.

33 (2) Not more than 2 percent of the moneys in the fund for use
34 by the program shall be allocated to direct program outreach
35 activities. The state board may use these funds for program
36 outreach contracts or may allocate outreach funds to participating
37 districts in proportion to each district's allocation from the program
38 moneys in the fund. The state board shall report on the use of
39 outreach funds in their reports to the Legislature pursuant to Section
40 44295.

(3) The balance shall be deposited in the fund to be expended to offset added costs of new very low or zero-emission vehicle technologies, and emission reducing repowers, retrofits, and add-on equipment for covered vehicles and engines, and other projects specified in Section 44281.

(b) Moneys in the fund shall be allocated to a district that submits an eligible application to the state board pursuant to Section 44287. The state board shall determine the maximum amount of annual funding from the fund for use by the program that each district may receive. This determination shall be based on the population in each district as well as the relative importance of obtaining covered emission reductions in each district, specifically through the program.

(c) Not more than 5 percent of the moneys allocated pursuant to this chapter to a district with a population of one million or more may be used by the district for indirect costs of implementation of the program, including outreach costs that are subject to the limitation in paragraph (2) of subdivision (a).

(d) Not more than 10 percent of the moneys allocated pursuant to this chapter to a district with a population of less than one million may be used by the district for indirect costs of implementation of the program, including outreach costs that are subject to the limitation in paragraph (2) of subdivision (a).

(e) This section shall remain in effect only until January 1, 2024, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2024, deletes or extends that date.

~~SEC. 28.~~

SEC. 29. Section 44299.1 of the Health and Safety Code, as added by Section 11.5 of Chapter 707 of the Statutes of 2004, is amended to read:

44299.1. (a) To ensure that emission reductions are obtained as needed from pollution sources, any moneys deposited in the fund for use by the program or appropriated to the program shall be segregated and administered as follows:

(1) Ten percent, not to exceed two million dollars (\$2,000,000), shall be allocated to the infrastructure demonstration project to be used pursuant to Section 44284.

(2) Ten percent shall be deposited in the fund for use by the program to be used to support research, development, demonstration, and commercialization of advanced low-emission

1 technologies for covered sources that show promise of contributing
2 to the goals of the program.

3 (3) Not more than 2 percent of the moneys in the fund for use
4 by the program shall be allocated to program support and outreach
5 costs incurred by the state board and the commission directly
6 associated with implementing the program pursuant to this chapter.
7 These funds shall be allocated to the state board and the
8 commission in proportion to total program funds administered by
9 the state board and the commission.

10 (4) Not more than 2 percent of the moneys in the fund for use
11 by the program shall be allocated to direct program outreach
12 activities. The state board may use these funds for program
13 outreach contracts or may allocate outreach funds to participating
14 districts in proportion to each district's allocation from the fund
15 for use by the program. The state board shall report on the use of
16 outreach funds in their reports to the Legislature pursuant to Section
17 44295.

18 (5) The balance shall be deposited in the fund for use by the
19 program to be expended to offset added costs of new very low or
20 zero-emission vehicle technologies, and emission reducing
21 repowers, retrofits, and add-on equipment for covered vehicles
22 and engines.

23 (b) Moneys in the fund for use by the program shall be allocated
24 to a district that submits an eligible application to the state board
25 pursuant to Section 44287. The state board shall determine the
26 maximum amount of annual funding from the fund for use by the
27 program that each district may receive. This determination shall
28 be based on the population in each district as well as the relative
29 importance of obtaining NO_x reductions in each district,
30 specifically through the program.

31 (c) This section shall become operative on January 1, 2024.

32 ~~SEC. 29:~~

33 *SEC. 30.* Section 44299.2 of the Health and Safety Code is
34 amended to read:

35 44299.2. Funds shall be allocated to districts, and shall be
36 subject to administrative terms and conditions as follows:

37 (a) Available funds shall be distributed to districts taking into
38 consideration the population of the area, the severity of the air
39 quality problems experienced by the population, and the historical
40 allocation of the program funds, except that the south coast district

1 shall be allocated a percentage of the total funds available to
2 districts that is proportional to the percentage of the total state
3 population residing within the jurisdictional boundaries of that
4 district. For the purposes of this subdivision, population shall be
5 determined by the state board based on the most recent data
6 provided by the Department of Finance. The allocation to the south
7 coast district shall be subtracted from the total funds available to
8 districts. Each district, except the south coast district, shall be
9 awarded a minimum allocation of two hundred thousand dollars
10 (\$200,000), and the remainder, which shall be known as the
11 “allocation amount,” shall be allocated to all districts as follows:

12 (1) The state board shall distribute 35 percent of the allocation
13 amount to the districts in proportion to the percentage of the total
14 residual state population that resides within each district’s
15 boundaries. For purposes of this paragraph, “total residual state
16 population” means the total state population, less the total
17 population that resides within the south coast district.

18 (2) The state board shall distribute 35 percent of the allocation
19 amount to the districts in proportion to the severity of the air quality
20 problems to which each district’s population is exposed. The
21 severity of the exposure shall be calculated as follows:

22 (A) Each district shall be awarded severity points based on the
23 district’s attainment designation and classification, as most recently
24 promulgated by the federal Environmental Protection Agency for
25 the National Ambient Air Quality Standard for ozone averaged
26 over eight hours, as follows:

27 (i) A district that is designated attainment for the federal
28 eight-hour ozone standard shall be awarded one point.

29 (ii) A district that is designated nonattainment for the federal
30 eight-hour ozone standard shall be awarded severity points based
31 on classification. Two points shall be awarded for transitional,
32 basic, or marginal classifications, three points for moderate
33 classification, four points for serious classification, five points for
34 severe classification, six points for severe-17 classification, and
35 seven points for extreme classification.

36 (B) Each district shall be awarded severity points based on the
37 annual diesel particulate emissions in the air basin, as determined
38 by the state board. One point shall be awarded to the district, in
39 increments, for each 1,000 tons of diesel particulate emissions. In
40 making this determination, 0 to 999 tons shall be awarded no

1 points, 1,000 to 1,999 tons shall be awarded one point, 2,000 to
2 2,999 tons shall be awarded two points, and so forth. If a district
3 encompasses more than one air basin, the air basin with the greatest
4 diesel particulate emissions shall be used to determine the points
5 awarded to the district. The San Diego County Air Pollution
6 Control District and the Imperial County Air Pollution Control
7 District shall be awarded one additional point each to account for
8 annual diesel particulate emissions transported from Mexico.

9 (C) The points awarded under subparagraphs (A) and (B), shall
10 be added together for each district, and the total shall be multiplied
11 by the population residing within the district boundaries, to yield
12 the local air quality exposure index.

13 (D) The local air quality exposure index for each district shall
14 be summed together to yield a total state exposure index. Funds
15 shall be allocated under this paragraph to each district in proportion
16 to its local air quality exposure index divided by the total state
17 exposure index.

18 (3) The state board shall distribute 30 percent of the allocation
19 amount to the districts in proportion to the allocation of funds from
20 the program moneys in the fund, as follows:

21 (A) Because each district is awarded a minimum allocation
22 pursuant to subdivision (a), there shall be no additional minimum
23 allocation from the program historical allocation funds. The total
24 amount allocated in this way shall be subtracted from total funding
25 previously awarded to the district under the program, and the
26 remainder, which shall be known as directed funds, shall be
27 allocated pursuant to subparagraph (B).

28 (B) Each district with a population that is greater than or equal
29 to 1 percent of the state's population shall receive an additional
30 allocation based on the population of the district and the district's
31 relative share of emission reduction commitments in the state
32 implementation plan to attain the National Ambient Air Quality
33 Standard for ozone averaged over one hour. This additional
34 allocation shall be calculated as a percentage share of the directed
35 funds for each district, derived using a ratio of each district's share
36 amount to the base amount, which shall be calculated as follows:

37 (i) The base amount shall be the total program funds allocated
38 by the state board to the districts in the 2002–03 fiscal year, less
39 the total of the funds allocated through the minimum allocation to
40 each district in the 2002–03 fiscal year.

(ii) The share amount shall be the allocation that each district received in the 2002–03 fiscal year, not including the minimum allocation. There shall be one share amount for each district.

(iii) The percentage share shall be calculated for each district by dividing the district’s share amount by the base amount, and multiplying the result by the total directed funds available under this subparagraph.

(b) Funds shall be distributed as expeditiously as reasonably practicable, and a report of the distribution shall be made available to the public.

(c) All funds allocated pursuant to this section shall be expended as provided in the guidelines adopted pursuant to Section 44287 within two years from the date of allocation. Funds not expended within the two years shall be returned to the program moneys in the fund within 60 days and shall be subject to further allocation as follows:

(1) Within 30 days of the deadline to return funds, the state board shall notify the districts of the total amount of returned funds available for reallocation, and shall list those districts that request supplemental funds from the reallocation and that are able to expend those funds within one year.

(2) Within 90 days of the deadline to return funds, the state board shall allocate the returned funds to the districts listed pursuant to paragraph (1).

(3) All supplemental funds distributed under this subdivision shall be expended consistent with the program within one year of the date of supplemental allocation. Funds not expended within one year shall be returned to the program moneys in the fund and shall be distributed at the discretion of the state board to districts, taking into consideration each district’s ability to expeditiously utilize the remaining funds consistent with the program.

(d) This section shall remain in effect only until January 1, 2024, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2024, deletes or extends that date.

~~SEC. 30.~~

SEC. 31. Section 42885 of the Public Resources Code, as amended by Section 55 of Chapter 77 of the Statutes of 2006, is amended to read:

42885. (a) For purposes of this section, “California tire fee” means the fee imposed pursuant to this section.

1 (b) (1) A person who purchases a new tire, as defined in
2 subdivision (g), shall pay a California tire fee of one dollar and
3 seventy-five cents (\$1.75) per tire.

4 (2) The retail seller shall charge the retail purchaser the amount
5 of the California tire fee as a charge that is separate from, and not
6 included in, any other fee, charge, or other amount paid by the
7 retail purchaser.

8 (3) The retail seller shall collect the California tire fee from the
9 retail purchaser at the time of sale and may retain 1 ½ percent of
10 the fee as reimbursement for any costs associated with the
11 collection of the fee. The retail seller shall remit the remainder to
12 the state on a quarterly schedule for deposit in the California Tire
13 Recycling Management Fund, which is hereby created in the State
14 Treasury.

15 (c) The department, or its agent authorized pursuant to Section
16 42882, shall be reimbursed for its costs of collection, auditing, and
17 making refunds associated with the California Tire Recycling
18 Management Fund, but not to exceed 3 percent of the total annual
19 revenue deposited in the fund.

20 (d) The California tire fee imposed pursuant to subdivision (b)
21 shall be separately stated by the retail seller on the invoice given
22 to the customer at the time of sale. Any other disposal or
23 transaction fee charged by the retail seller related to the tire
24 purchase shall be identified separately from the California tire fee.

25 (e) A person or business who knowingly, or with reckless
26 disregard, makes a false statement or representation in a document
27 used to comply with this section is liable for a civil penalty for
28 each violation or, for continuing violations, for each day that the
29 violation continues. Liability under this section may be imposed
30 in a civil action and shall not exceed twenty-five thousand dollars
31 (\$25,000) for each violation.

32 (f) In addition to the civil penalty that may be imposed pursuant
33 to subdivision (e), the department may impose an administrative
34 penalty in an amount not to exceed five thousand dollars (\$5,000)
35 for each violation of a separate provision or, for continuing
36 violations, for each day that the violation continues, on a person
37 who intentionally or negligently violates a permit, rule, regulation,
38 standard, or requirement issued or adopted pursuant to this chapter.
39 The department shall adopt regulations that specify the amount of

1 the administrative penalty and the procedure for imposing an
2 administrative penalty pursuant to this subdivision.

3 (g) For purposes of this section, “new tire” means a pneumatic
4 or solid tire intended for use with onroad or off-road motor
5 vehicles, motorized equipment, construction equipment, or farm
6 equipment that is sold separately from the motorized equipment,
7 or a new tire sold with a new or used motor vehicle, as defined in
8 Section 42803.5, including the spare tire, construction equipment,
9 or farm equipment. “New tire” does not include retreaded, reused,
10 or recycled tires.

11 (h) The California tire fee shall not be imposed on a tire sold
12 with, or sold separately for use on, any of the following:

13 (1) A self-propelled wheelchair.

14 (2) A motorized tricycle or motorized quadricycle, as defined
15 in Section 407 of the Vehicle Code.

16 (3) A vehicle that is similar to a motorized tricycle or motorized
17 quadricycle and is designed to be operated by a person who, by
18 reason of the person’s physical disability, is otherwise unable to
19 move about as a pedestrian.

20 (i) This section shall remain in effect only until January 1, 2024,
21 and as of that date is repealed, unless a later enacted statute, that
22 is enacted before January 1, 2024, deletes or extends that date.

23 ~~SEC. 31.~~

24 *SEC. 32.* Section 42885 of the Public Resources Code, as added
25 by Section 13.5 of Chapter 707 of the Statutes of 2004, is amended
26 to read:

27 42885. (a) For purposes of this section, “California tire fee”
28 means the fee imposed pursuant to this section.

29 (b) (1) Every person who purchases a new tire, as defined in
30 subdivision (g), shall pay a California tire fee of seventy-five cents
31 (\$0.75) per tire.

32 (2) The retail seller shall charge the retail purchaser the amount
33 of the California tire fee as a charge that is separate from, and not
34 included in, any other fee, charge, or other amount paid by the
35 retail purchaser.

36 (3) The retail seller shall collect the California tire fee from the
37 retail purchaser at the time of sale and may retain 3 percent of the
38 fee as reimbursement for any costs associated with the collection
39 of the fee. The retail seller shall remit the remainder to the state

1 on a quarterly schedule for deposit in the California Tire Recycling
2 Management Fund, which is hereby created in the State Treasury.

3 (c) The department, or its agent authorized pursuant to Section
4 42882, shall be reimbursed for its costs of collection, auditing, and
5 making refunds associated with the California Tire Recycling
6 Management Fund, but not to exceed 3 percent of the total annual
7 revenue deposited in the fund.

8 (d) The California tire fee imposed pursuant to subdivision (b)
9 shall be separately stated by the retail seller on the invoice given
10 to the customer at the time of sale. Any other disposal or
11 transaction fee charged by the retail seller related to the tire
12 purchase shall be identified separately from the California tire fee.

13 (e) Any person or business who knowingly, or with reckless
14 disregard, makes any false statement or representation in any
15 document used to comply with this section is liable for a civil
16 penalty for each violation or, for continuing violations, for each
17 day that the violation continues. Liability under this section may
18 be imposed in a civil action and shall not exceed twenty-five
19 thousand dollars (\$25,000) for each violation.

20 (f) In addition to the civil penalty that may be imposed pursuant
21 to subdivision (e), the department may impose an administrative
22 penalty in an amount not to exceed five thousand dollars (\$5,000)
23 for each violation of a separate provision or, for continuing
24 violations, for each day that the violation continues, on any person
25 who intentionally or negligently violates any permit, rule,
26 regulation, standard, or requirement issued or adopted pursuant to
27 this chapter. The department shall adopt regulations that specify
28 the amount of the administrative penalty and the procedure for
29 imposing an administrative penalty pursuant to this subdivision.

30 (g) For purposes of this section, “new tire” means a pneumatic
31 or solid tire intended for use with onroad or off-road motor
32 vehicles, motorized equipment, construction equipment, or farm
33 equipment that is sold separately from the motorized equipment,
34 or a new tire sold with a new or used motor vehicle, as defined in
35 Section 42803.5, including the spare tire, construction equipment,
36 or farm equipment. “New tire” does not include retreaded, reused,
37 or recycled tires.

38 (h) The California tire fee may not be imposed on any tire sold
39 with, or sold separately for use on, any of the following:

- 40 (1) Any self-propelled wheelchair.

(2) Any motorized tricycle or motorized quadricycle, as defined in Section 407 of the Vehicle Code.

(3) Any vehicle that is similar to a motorized tricycle or motorized quadricycle and is designed to be operated by a person who, by reason of the person's physical disability, is otherwise unable to move about as a pedestrian.

(i) This section shall become operative on January 1, 2024.

~~SEC. 32.~~

SEC. 33. Section 42889 of the Public Resources Code, as amended by Section 3 of Chapter 333 of the Statutes of 2009, is amended to read:

42889. (a) Of the moneys collected pursuant to Section 42885, an amount equal to seventy-five cents (\$0.75) per tire on which the fee is imposed shall be transferred by the State Board of Equalization to the Air Pollution Control Fund. The state board shall expend those moneys, or allocate those moneys to the districts for expenditure, to fund programs and projects that mitigate or remediate air pollution caused by tires in the state, to the extent that the state board or the applicable district determines that the program or project remediates air pollution harms created by tires upon which the fee described in Section 42885 is imposed.

(b) The remaining moneys collected pursuant to Section 42885 shall be used to fund the waste tire program, and shall be appropriated to the department in the annual Budget Act in a manner consistent with the five-year plan adopted and updated by the department. These moneys shall be expended for the payment of refunds under this chapter and for the following purposes:

(1) To pay the administrative overhead cost of this chapter, not to exceed 6 percent of the total revenue deposited in the fund annually, or an amount otherwise specified in the annual Budget Act.

(2) To pay the costs of administration associated with collection, making refunds, and auditing revenues in the fund, not to exceed 3 percent of the total revenue deposited in the fund, as provided in subdivision (c) of Section 42885.

(3) To pay the costs associated with operating the tire recycling program specified in Article 3 (commencing with Section 42870).

(4) To pay the costs associated with the development and enforcement of regulations relating to the storage of waste tires and used tires. The department shall consider designating a city,

1 county, or city and county as the enforcement authority of
2 regulations relating to the storage of waste tires and used tires, as
3 provided in subdivision (c) of Section 42850, and regulations
4 relating to the hauling of waste and used tires, as provided in
5 subdivision (b) of Section 42963. If the department designates a
6 local entity for that purpose, the department shall provide sufficient,
7 stable, and noncompetitive funding to that entity for that purpose,
8 based on available resources, as provided in the five-year plan
9 adopted and updated as provided in subdivision (a) of Section
10 42885.5. The department may consider and create, as appropriate,
11 financial incentives for citizens who report the illegal hauling or
12 disposal of waste tires as a means of enhancing local and statewide
13 waste tire and used tire enforcement programs.

14 (5) To pay the costs of cleanup, abatement, removal, or other
15 remedial action related to waste tire stockpiles throughout the state,
16 including all approved costs incurred by other public agencies
17 involved in these activities by contract with the department. Not
18 less than six million five hundred thousand dollars (\$6,500,000)
19 shall be expended by the department during each of the following
20 fiscal years for this purpose: 2001–02 to 2006–07, inclusive.

21 (6) To make studies and conduct research directed at promoting
22 and developing alternatives to the landfill disposal of waste tires.

23 (7) To assist in developing markets and new technologies for
24 used tires and waste tires. The department's expenditure of funds
25 for purposes of this subdivision shall reflect the priorities for waste
26 management practices specified in subdivision (a) of Section
27 40051.

28 (8) To pay the costs associated with implementing and operating
29 a waste tire and used tire hauler program and manifest system
30 pursuant to Chapter 19 (commencing with Section 42950).

31 (9) To pay the costs to create and maintain an emergency
32 reserve, which shall not exceed one million dollars (\$1,000,000).

33 (10) To pay the costs of cleanup, abatement, or other remedial
34 action related to the disposal of waste tires in implementing and
35 operating the Farm and Ranch Solid Waste Cleanup and Abatement
36 Grant Program established pursuant to Chapter 2.5 (commencing
37 with Section 48100) of Part 7.

38 (11) To fund border region activities specified in paragraph (8)
39 of subdivision (b) of Section 42885.5.

1 (c) This section shall remain in effect only until January 1, 2024,
2 and as of that date is repealed, unless a later enacted statute that
3 is enacted before January 1, 2024, deletes or extends that date.

4 ~~SEC. 33.~~

5 *SEC. 34.* Section 42889 of the Public Resources Code, as
6 amended by Section 4 of Chapter 333 of the Statutes of 2009, is
7 amended to read:

8 42889. Funding for the waste tire program shall be appropriated
9 to the department in the annual Budget Act. The moneys in the
10 fund shall be expended for the payment of refunds under this
11 chapter and for the following purposes:

12 (a) To pay the administrative overhead cost of this chapter, not
13 to exceed 5 percent of the total revenue deposited in the fund
14 annually, or an amount otherwise specified in the annual Budget
15 Act.

16 (b) To pay the costs of administration associated with collection,
17 making refunds, and auditing revenues in the fund, not to exceed
18 3 percent of the total revenue deposited in the fund, as provided
19 in subdivision (b) of Section 42885.

20 (c) To pay the costs associated with operating the tire recycling
21 program specified in Article 3 (commencing with Section 42870).

22 (d) To pay the costs associated with the development and
23 enforcement of regulations relating to the storage of waste tires
24 and used tires. The department shall consider designating a city,
25 county, or city and county as the enforcement authority of
26 regulations relating to the storage of waste tires and used tires, as
27 provided in subdivision (c) of Section 42850, and regulations
28 relating to the hauling of waste and used tires, as provided in
29 subdivision (b) of Section 42963. If the department designates a
30 local entity for that purpose, the department shall provide sufficient,
31 stable, and noncompetitive funding to that entity for that purpose,
32 based on available resources, as provided in the five-year plan
33 adopted and updated as provided in subdivision (a) of Section
34 42885.5. The department may consider and create, as appropriate,
35 financial incentives for citizens who report the illegal hauling or
36 disposal of waste tires as a means of enhancing local and statewide
37 waste tire and used tire enforcement programs.

38 (e) To pay the costs of cleanup, abatement, removal, or other
39 remedial action related to waste tire stockpiles throughout the state,
40 including all approved costs incurred by other public agencies

involved in these activities by contract with the department. Not less than six million five hundred thousand dollars (\$6,500,000) shall be expended by the department during each of the following fiscal years for this purpose: 2001–02 to 2006–07, inclusive.

(f) To fund border region activities specified in paragraph (8) of subdivision (b) of Section 42885.5.

(g) This section shall become operative on January 1, 2024.

~~SEC. 34.~~

SEC. 35. Section 9250.1 of the Vehicle Code is amended to read:

9250.1. (a) Beginning July 1, 2008, the fee described in Section 9250 shall be increased by three dollars (\$3).

(b) Two dollars (\$2) of the increase shall be deposited into the Alternative and Renewable Fuel and Vehicle Technology Fund created by Section 44273 of the Health and Safety Code, and one dollar (\$1) shall be deposited into the Enhanced Fleet Modernization Subaccount created by Section 44126 of the Health and Safety Code.

(c) This section shall remain in effect only until January 1, 2024, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2024, deletes or extends that date.

~~SEC. 35.~~

SEC. 36. Section 9250.2 of the Vehicle Code, as amended by Section 15 of Chapter 707 of the Statutes of 2004, is amended to read:

9250.2. (a) The department, if requested by the Sacramento Metropolitan Air Quality Management District pursuant to Section 41081 of the Health and Safety Code, shall impose and collect a surcharge on the registration fees for every motor vehicle registered in that district, not to exceed the amount of six dollars (\$6), as specified by the governing body of that district.

(b) This section shall remain in effect only until January 1, 2024, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2024, deletes or extends that date.

~~SEC. 36.~~

SEC. 37. Section 9250.2 of the Vehicle Code, as added by Section 15.5 of Chapter 707 of the Statutes of 2004, is amended to read:

9250.2. (a) The department, if requested by the Sacramento Metropolitan Air Quality Management District pursuant to Section

1 41081 of the Health and Safety Code, shall impose and collect a
2 surcharge on the registration fees for every motor vehicle registered
3 in that district, not to exceed four dollars (\$4).

4 (b) This section shall become operative on January 1, 2024.

5 ~~SEC. 37.~~

6 *SEC. 38.* Section 9261.1 of the Vehicle Code is amended to
7 read:

8 9261.1. (a) Beginning July 1, 2008, the fee described in Section
9 9261, as adjusted pursuant to Section 1678, shall be increased by
10 five dollars (\$5).

11 (b) Two dollars and fifty cents (\$2.50) of the increase shall be
12 deposited into the Alternative and Renewable Fuel and Vehicle
13 Technology Fund created by Section 44273 of the Health and
14 Safety Code, and two dollars and fifty cents (\$2.50) shall be
15 deposited into the Air Quality Improvement Fund created by
16 Section 44274.5 of the Health and Safety Code.

17 (c) This section shall remain in effect only until January 1, 2024,
18 and as of that date is repealed, unless a later enacted statute, that
19 is enacted before January 1, 2024, deletes or extends that date.

20 ~~SEC. 38.~~

21 *SEC. 39.* Section 9853.6 of the Vehicle Code is amended to
22 read:

23 9853.6. (a) (1) Beginning July 1, 2008, the fee described in
24 paragraph (1) of subdivision (b) of Section 9853 shall be increased
25 by ten dollars (\$10).

26 (2) Five dollars (\$5) of the increase shall be deposited into the
27 Alternative and Renewable Fuel and Vehicle Technology Fund
28 created by Section 44273 of the Health and Safety Code and five
29 dollars (\$5) shall be deposited into the Air Quality Improvement
30 Fund created by Section 44274.5 of the Health and Safety Code.

31 (b) (1) Beginning July 1, 2008, the fee described in paragraph
32 (2) of subdivision (b) of Section 9853 shall be increased by twenty
33 dollars (\$20).

34 (2) Ten dollars (\$10) of the increase shall be deposited into the
35 Alternative and Renewable Fuel and Vehicle Technology Fund
36 created by Section 44273 of the Health and Safety Code and ten
37 dollars (\$10) shall be deposited into the Air Quality Improvement
38 Fund created by Section 44274.5 of the Health and Safety Code.

1 (c) This section shall remain in effect only until January 1, 2024,
2 and as of that date is repealed, unless a later enacted statute, that
3 is enacted before January 1, 2024, deletes or extends that date.

4 ~~SEC. 39.~~

5 *SEC. 40.* This act is an urgency statute necessary for the
6 immediate preservation of the public peace, health, or safety within
7 the meaning of Article IV of the Constitution and shall go into
8 immediate effect. The facts constituting the necessity are:

9 To ensure stable funding for programs to reduce air pollution
10 for the protection of the public health and safety, it is necessary
11 for this measure to take effect immediately.

O